

Stewardship Report 2022

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# Mondrian Investment Partners

April 2023

Mondrian Investment Partners Limited  
Sixty London Wall, Floor 10, London EC2M 5TQ, UK  
Authorised and regulated by the Financial Conduct Authority

# Foreword

Once again, we are pleased to share Mondrian's Stewardship Report which provides a detailed overview of our stewardship approach, activities, and outcomes over calendar year 2022, covering the principles set forth in the 2020 iteration of the UK Stewardship Code.

The key principles of our culture enable our stewardship practices and have done so for over 30 years. Mondrian's objective on behalf of our clients is to look after their long-term (and short-term) interests by achieving similarly long-term real returns, whilst being both a good steward and fiduciary of assets. Being long-term shareholders supports our responsible approach to stewardship. To ensure effective stewardship, our investment team is expected to regularly meet with issuers both prior to and after investment, and for equity portfolios, vote all proxies (where possible) in a detailed and considered manner.

As with all stewardship, our approach to being good guardians of our clients' capital does not start and end with this document but, as previously mentioned, continues to evolve. This philosophy is in keeping with our view that investing is fundamentally for the long-term.

Clive Gillmore  
Chief Executive Officer and Group CIO, Founding Partner

# Principle 1

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society

## Our Purpose

Mondrian is an employee-owned investment management firm. We are value investors across the globe in both equity and fixed income asset classes. Our purpose is to provide a rate of return meaningfully greater than our clients' domestic rate of inflation over the long-term with strategies that seek to preserve capital during protracted market declines. Founded in 1990, we have employed a detailed fundamental research process that includes engagement with the management of companies we invest in, allowing us to leverage our stewardship responsibilities whilst not micromanaging businesses, that is the foundation of our success. Mondrian's well-resourced investment team manages assets on behalf of over 250 institutional clients.



### A Track Record of Success

Stable, consistent leadership with time-tested investment philosophy and process since 1990.



### Independent

Employee owned, directly aligning the firm with clients. Equity ownership plan designed to attract, retain, and motivate highly skilled people. Over half of employees are owners.



### Active, Defensive, Value

All strategies have consistently utilised an income-oriented value discipline. Time-tested investment philosophies, disciplined process, adapted to evolving market dynamics. Emphasis on capital preservation in difficult markets.



### Broadly Diversified

A stable and diverse global client base consisting of corporations, public and private pension plans, endowments, foundations, and individual investors utilising an array of strategies to meet their investment goals.

Mondrian is an independent, employee-owned, global value-oriented investment manager headquartered in the City of London with an office in Greater Philadelphia. We have a diverse global client base, investing on behalf of leading corporations, public and private pension plans, endowments, and foundations in a range of equity and fixed income mandates, and employ a long-term, fundamental approach to research when valuing markets and companies for potential investment. All operational functions are carried out in-house, using best of breed technology, and our operations staff are located in the same office, alongside the investment team, trading desk and global client service team. We work hard to maintain our entrepreneurial culture and small company feel. Mondrian acts solely as an investment manager and does not engage in any other business activities.

## Organisational Objectives

As an asset management firm, Mondrian is committed to our fiduciary responsibility, and with it, consistent performance and alpha generation for given levels of risk. Our culture is based on our value philosophy. We believe that investments need to be evaluated in terms of their fundamental long-term value. We invest in securities, whether equity or fixed income, where our inflation-adjusted discounted income stream analysis identifies value in terms of prospective real returns. We encourage high quality, long-term, valuation-oriented research which, in turn, we believe will lead to attractive long-term real returns.

Mondrian looks to be a career destination, and our staff turnover rate typically averages less than 10% annually. We have excellent staff retention and investment staff rarely leave to join competitors. Mondrian is committed to equality for all staff and to developing a workforce which is representative of all sections of society, where each employee feels respected and able to give their best and be themselves.

## Investment Beliefs

Mondrian is an active defensive manager. All of our investment products utilise income-oriented value disciplines that have been successfully applied since our founding.

### Equity Philosophy

In the management of equity assets, we invest in securities where rigorous dividend discount analysis identifies value in terms of the long-term flow of income. Dividend yield and future real growth play a central role in our decision making process and over time the dividend component is expected to be a meaningful portion of the expected total return. Our methodology is applied consistently to individual securities across all markets and industries. Mondrian's investment approach seeks to generate three specific investment benefits.

- An approach that seeks to provide a rate of return meaningfully greater than the client's domestic rate of inflation
- Client portfolios that aim to preserve capital during protracted global market decline
- Portfolio performance that has been less volatile than the relevant benchmark and most peers in the universe

### Fixed Income Philosophy

We have a disciplined fixed income investment philosophy which has been applied since we were founded in 1990. We invest in global bond markets that best compensate for inflation and sovereign credit risks, measured by a market's Prospective Real Yield (PRY). We define PRY as the 10-year government bond yield minus Mondrian's inflation forecast minus Mondrian's sovereign credit adjustment. Our approach to currency is based on Purchasing Power Parity (PPP) supplemented by our sovereign credit analysis.

- We have a disciplined investment philosophy that has been in place since we were founded in 1990
- Stable, well-resourced team with expert knowledge of the asset class
- Our inflation forecasting use proprietary quantitative models that drive process and provide structure - the 'relative' inflation forecasts produced are key for our process

As a global, long-term value-oriented investment manager, our focus is on generating alpha for our clients and providing a rate of return meaningfully greater than our clients' domestic rate of inflation with strategies that seek to preserve capital during protracted market declines. In pursuit of these investment benefits, Mondrian employs a long-term, fundamental approach to research in which the assessment of financially material environmental, social and governance ("ESG") risks and opportunities play an important role when valuing markets and companies for potential investment. We believe it is the responsibility of active investors to be effective stewards of capital in order to protect the long-term interests of clients. Except as required by law and client-imposed restrictions, Mondrian does not have any firm-wide exclusions.

With the exception of Mondrian's systematic equity portfolios ("Rothko") which are not covered by this Stewardship Code Statement, Mondrian pursues an active stewardship approach. Effective stewardship in the form of regular meetings with issuers/company management, specific topic engagement where necessary and rigorous proxy voting procedures have been an integral part of our process since inception.

Further details on our integration of financially material ESG factors are provided in response to Principle 7; details on our approach to engagement and proxy voting are provided in response to Principles 9 and 12, respectively.

## Our History and Strategy



A successful fund management operation is one that is able to grow its assets steadily while at the same time 1) retaining its client base by meeting clients' performance and risk objectives and 2) maintaining a strong and stable team.

## Product Development

Mondrian is committed to a value philosophy and intends to continue to grow by offering investment products underpinned by that focus. Mondrian thinks and plans on a long-term basis and any annual initiatives are considered in terms of our broader strategic direction and initiatives. Methodologically, we use a Dividend Discount Model ("DDM") to analyse equities and a Prospective Real Yield ("PRY") to analyse fixed income. Both strategic analyses have been in place for over 30 years. Our principle focus within each of these broad areas remains serving the needs of our existing clients. Whilst one leg of our diversification plan is product based, it is the omnipresent use of the DDM and PRY methodologies that is significant and consistent.

Recent initiatives include expanding our ESG product line which now includes International Equity ESG, Global Equity ESG, Emerging Markets Equity ESG and Global Green Bonds. We have also launched Emerging Markets ex China, China Concentrated and China A strategies. These strategies successfully apply our DDM methodology without compromising our existing services or resources.

## Client Relationships and New Business Flow

The firm will focus on its client relationships and develop these relationships in the context of new investment product opportunities. Our primary concern is for our existing clients and being able to manage their portfolios in the same way that Mondrian has done over the years.

Mondrian manages a range of different equity/fixed income products and for each product will typically set and reappraise maximum capacity constraints based on market liquidity. Going forward, Mondrian could envisage some practical implementation constraints at certain asset levels. Based on our appraisal of historical data, Mondrian can reasonably estimate new business flow in the future, with the knowledge that capacity constraints will limit the amount of business that can be accepted. However, the margin for error in these forecasts can be significant from time to time and for that reason the company's philosophy has been to place emphasis on hiring staff in advance of any expectation of business flow.

## Strong and Stable Team - Hiring of Staff

We believe that a growing firm creates a dynamic work environment that helps to motivate team members. Growth, however, must be managed and should not be at the expense of the entrepreneurial environment that Mondrian currently enjoys. Mondrian, at any time, is resourced adequately for future growth. In evaluating staff levels, our focus is not merely on where we are today, but what would be required, should we be fortunate enough, to meet our strategic goals. Whilst the obvious point of focus might be investment personnel, Mondrian takes a holistic view towards diverse staffing across client services and operations as well. Commensurate with Mondrian hiring of new staff is the nurturing of existing employees with a focus on succession planning throughout the organisation.

## Our Culture

Mondrian has a strong corporate culture built on a number of key principles developed by our founders and enhanced over the past 30+ years. Per the Financial Reporting Council's signatory category definitions, we are a small asset manager with USD47 billion/GBP39 billion in assets under management and advisement as of 31 December 2022 and less than 200 employees globally. Despite being defined as a small asset manager, Mondrian sets itself the highest standards, those that are required to be met by the best (and biggest) in the industry.

The key principles behind our culture are investment philosophy belief, professionalism (examinations and qualifications where necessary), long-term thinking, commitment to the firm and our clients, diversity of thought, inclusiveness, and teamwork.

## Investment Philosophy Belief

As detailed in the Investment Beliefs subsection, Mondrian believes in utilising an investment process based on an income-oriented valuation discipline. As part of that process, Mondrian believes it is important for our investment professionals to discuss investment performance directly with clients so that there is a strong sense of accountability for our investment decision making.

## Professionalism

Staff across the firm are encouraged to take professional qualifications to add to strong university-based educations and this ensures that the additional ethical and practical elements learnt create an underlying environment of integrity with each other and the outside investment community.

## Long-term thinking

Fundamental to our culture is long-term thinking in terms of our investment philosophy, relationships with clients and management of the firm. This is reinforced by our remuneration structure, which aims to achieve long-term rewards and also to encourage staff to feel like equity partners in the future of the firm. Base salaries are a small part of the remuneration package for investment staff where bonuses are expected to be the largest part of cash remuneration. These awards are merit based, looking at a range of factors including investment research, long and short-term performance, client service and teamwork. One of Mondrian's points of difference in maintaining its culture is its link with equity ownership. Close to half of all staff, and all portfolio managers and higher within investment teams, are equity owners in Mondrian. These awards are made separately in the middle of the year and we can recalibrate upside or dilute as necessary to reflect individuals long term value to the company. These awards, like all remuneration, are intended to motivate and retain, and are a key part of our multi-generational privately held company.

## Diversity of Thought and Inclusiveness

All staff regardless of position are encouraged to challenge more senior members of the company. From an investment standpoint this is facilitated by diversity and throughout the organisation we believe such a culture improves risk management. All employees are contributors to our risk framework, with varying degrees of input and responsibility, and the control culture is embedded in Mondrian's corporate ethos.

Mondrian actively encourages diversity within its workforce and is an Equal Opportunities Employer. Diversity is important to us as we employ individuals from over 25 nationalities in our London and Philadelphia offices and have a global client base.

To help facilitate our vision and ensure our workplace practices evolve accordingly, we established a Diversity, Equity, and Inclusion Consultation Group. The Group's purpose is to advise senior management and in particular the CEO on the company's strategy relating to internal diversity and inclusion matters. It monitors and reviews Mondrian's diversity, equity, and inclusion characteristics and initiatives as well as those of relevant industry peers and evaluates leading thought papers on this topic across different jurisdictions. Additionally, it provides recommendations to help achieve Mondrian's firm-wide diversity, equity, and inclusion vision, including how to implement our Equality Policy, covering the key areas of recruitment, equality, retention, and staff training.

Mondrian believes that a well-managed policy of diversity can support and enhance decisive, accountable decision-making. This is crucial both in the overall management and operation of the firm, but particularly in our investment decision-making process. Diversity is considered in a range of ways – not just gender and ethnicity – when building teams; the aim is to promote diversity of thought and avoid group think. Diversity of thought is designed to provide different ways of looking at problems with the endeavour to get to the best outcome, and it is important within Mondrian's culture that we are focused on the best and not just average. As a result, strong leadership and diversity in leadership is as important as diversity at the grass roots level of the organisation. We have an open culture where we actively encourage all team members to participate in and contribute to all team discussions. We believe that within the investment teams, differing ways of looking at businesses and their potential value is strengthened through diversity.

From a representation perspective, Mondrian is an employee-owned company, and approximately 30% of our partners are minorities and/or females. Our Deputy CEO is female, and of our five CIO's covering different product areas, three are female and were born abroad in different cultures.

## Commitment and Teamwork

As a result of our culture, Mondrian has excellent staff retention, with an average staff tenure of over 10 years and investment staff rarely leave to join competitors. At Mondrian, the management of investment portfolios is not and has never been "star manager" based but uses a team system. All portfolio managers, regardless of seniority, have analytical responsibilities.

The Compliance & Risk Committee has identified and oversees the following key areas to ensure that conduct risk and conflicts are properly managed:

- Corporate culture – the right tone is set at the board and is inculcated throughout the organisation
- Remuneration policy – staff's interests are aligned with clients and remuneration arrangements do not encourage excessive risk-taking
- Error policy – all errors are quickly identified, remedied so that any disadvantage to clients is addressed and appropriate steps are taken to ensure that the error cannot recur
- Product design – all new products are designed to meet client requirements, are well researched and all risks are properly understood and ameliorated where possible
- Sales and marketing practices – the activities of all staff engaged in promoting Mondrian's services are monitored by Compliance to ensure they are appropriate, clear, fair and not misleading

- Conflict monitoring – monitoring arrangements are in place to test that all conflicts of interest have been properly managed and clients have been treated fairly

Mondrian adheres to the principles set out in the CFA Institute Asset Manager Code of Professional Conduct. All employees follow a Code of Ethics that reflects Mondrian's fiduciary duties.

At Mondrian, investment professionals are expected to meet with clients on a regular basis to review portfolio performance and discuss engagement activities, developing long-term relationships. We hold ourselves accountable to our clients; this aspect of our culture embeds a considered and diligent approach to stewardship.

## Economic, Social and Environmental Benefits

Our approach to stewardship requires that we hold our investments to high standards with the objective of maximising risk-adjusted returns. We also demand high standards of ourselves. Mondrian believes that it is important to be a good corporate citizen in the communities where we work and have clients. Carbon offsetting, equity, diversity and inclusion are areas of ongoing discussion, and we continually look at potential programs to improve our firm's efforts both within our organisation and community.

### Economic Benefits

Delivering long-term value for our clients typically involves meeting future pension liabilities enabling plan holders, including large US state plans, to retire with financial security. Clearly this is a positive economic and social outcome of our business model. We also manage money on behalf of endowments, foundations, religious organisations which have charitable purposes.

### Environmental Benefits

As a value investor with a long-term investment horizon, Mondrian's forward-looking methodology is also applied internally within our organisation to include a long-term plan for operational climate change mitigation. Since 2020, Mondrian partnered with independent third parties to conduct a formal carbon audit, offset and certification process. We commit to reducing our operational emissions and to offsetting 200% of emissions generated across our global operations going forward.

During the year we offset 200% of operational emissions generated in 2021.

### Social Benefits

Mondrian acknowledges that diversity and inclusion are issues that the asset management industry faces. We have implemented several initiatives to help promote diversity and inclusion to make an impact in the wider community.

Over 2022 the Group set the following corporate DEI goals:

- Support workforce diversity which we believe can enhance and strengthen decision making.
- Support inclusive culture which we believe will promote development and retention of all employees.
- Create a more diverse recruitment pipeline.
- Expand list of partnerships with external organizations that help promote diversity and interest in the industry.
- Expand internal social diversity and inclusion programs.

## Mondrian UK Initiatives

### Girls are INvestors (GAIN)

Mondrian are Platinum Sponsors of Girls are INvestors ("GAIN"), UK charity whose objective is to increase gender diversity within the investment management community by tackling the apparent lack of interest in the industry among young women. They seek to raise the female application rate for entry-level investment jobs to 50% in ten years. In 2022, GAIN received the "Championing Women's Equality Award" from the FT Advisor Diversity in Finance Awards.

GAIN's studies have shown that there is a lack of interest in investing amongst young women and a lack of female industry role models available to them. Their goal is to help change this to achieve better decision-making and more equitable allocation of invested capital in the future.

To achieve these objectives and goals GAIN provides information about investing and role models for young women in the UK through:

- An Outreach Programme to Sixth Forms across the UK with a simple, compelling, and inspiring presentation about investment careers
- A website with inspirational videos of young women investors, information sources, career tips and a stock picking game



- A University Partnership programme to encourage and support young women through the recruitment process, including a mentorship program

In 2022 Mondrian participated in the inaugural GAIN Investment Insight Programme (“GIIP”), which is designed to give young women an insight into the range of opportunities available in a career in investment management. The program supports participants with development of the skills, networks and experiences needed to ultimately secure top opportunities within the investment sector. GIIP is open to female and non-binary undergraduates in their first year of study (or second year on a four-year course) at universities within the UK. Seven GIIP participants spent two days at Mondrian’s office, where they heard from professionals across the business explain what their roles were and how they support our investment process.

We also participated in the GAIN Empower Investment Internship Programme over summer 2022, where three GAIN interns joined Mondrian for a 12-week paid programme. Penultimate year undergraduates currently studying at a university in the UK are eligible to participate in the internship program.

Additionally, through GAIN Mondrian staff presented to two schools via the Outreach Programme, submitted several videos for the GAIN website, spoke at the UCL Women in Business Society flagship event “Share the Vision” and mentored university students.

## BRIGHT Network

Mondrian partners with Bright Network, which is a membership network designed to help university students and recent graduates across the UK from diverse backgrounds connect with employers and get the support they need to fulfil their potential.

In 2022, 67% of our graduate program hires were through the Bright Network.

## SEO London

Beginning in 2022, Mondrian partners with and financially supports SEO London (Sponsors for Educational Opportunity), which is a UK-registered charity delivering superior educational, training, and mentoring support to young people from underrepresented and underserved backgrounds such as ethnic minorities and people from lower socioeconomic backgrounds. SEO London programming is focused on pre-professional development, career access and long-term success within elite global industries. SEO London was launched in 2000 and has subsequently delivered two decades of transformative leadership in the UK workplace diversity and inclusion segment. Today, over 20,000 diverse students and professionals are registered with SEO London, benefiting from sponsorship and engagement opportunities with over 120 firms across financial services, corporate law, consulting, technology, insurance, and corporates. Thousands of SEO London alumni currently work in global organisations; many of them holding senior leadership positions. As a sponsor of SEO London, Mondrian gains access to SEO London’s pool of current university students and alumni for our internship program and experienced hire positions.

Over the summer of 2022, we had four interns working at Mondrian through SEO for twelve weeks. The interns were able to gain experience working in an office environment and developed their skills and understanding of different functions within an asset management firm.

## Work Experience Program

Mondrian runs an annual Work Experience Program targeted at young adults in the age range of 16-18 years which introduces the various facets of the finance industry, particularly asset management. A mix of students attends; we partner with several schools, including one that is in a relatively under-privileged area of London to ensure that this opportunity reaches those that might not normally be able to access it. Participants are exposed to various aspects of the asset management industry through presentations on topics such as financial markets and institutions, performance and data analysis, equities, fixed income, macroeconomics and ESG. Additionally, they typically complete a project incorporating the knowledge gained during their week with Mondrian.

While Mondrian was not able to host our annual Work Experience Week in 2022 due to scheduling conflicts with our office move, we will be running it again in 2023.

## Mondrian US Initiatives

### Women in Investing Network of Philadelphia (WIN)

Founded in 2007, Women in Investing Network of Philadelphia (“WIN”) is dedicated to empowering professionals throughout their careers in the investment industry. More than 500 investment and financial service professionals in the Mid-Atlantic region benefit from the monthly educational and social programs WIN offers. They gain opportunities for professional networking, learn from expert women in their field, and find colleagues and mentors who help them grow as professionals.



In 2022, Mondrian continued its Platinum Level corporate sponsorship of WIN. As a WIN sponsor, Mondrian facilitates development of talent that can expand the diversity of experience available to our organization and to the investment industry as a whole. Mondrian US employees attended a number of WIN events throughout the year to support WIN's initiatives.

### WesGold Fellows

Our US office partnered with WesGold Fellows; a program geared towards high school students in Philadelphia. The WesGold Fellowship program is a personal and professional development program for high school youth focused on financial literacy, entrepreneurship and college and career counselling. WesGold Fellow's vision is to "build bridges across generations and wealth disparities while empowering the next generation of leaders who will engage, impact and grow our economy."

Mondrian US staff engaged with WesGold Fellows during their summer 2022 program in a variety of ways including 1) an onsite presentation to a group of over 50 fellows to help educate the students on career paths within the finance industry, 2) participation in a workshop to help a group of students with their presentation skills, and 3) a final day at the end of the summer when a group of fellows visited our offices and spent the day learning more about the investment industry.

Mondrian received positive feedback from WesGold Fellows, and our employees found the program to be very rewarding. We are hoping to partner with them again in 2023.

### Internship Program

Mondrian offers paid internships to university students with a path toward fulltime employment. Our US office regularly works with Drexel University's experiential learning/co-op program.

These programs are a key recruiting tool for new employees. Nearly one-third of our US employees began their careers at Mondrian as interns. We believe our internship program has provided exposure to our industry to groups who have historically been underrepresented and has offered them the opportunity to learn and grow. We are committed to these programs and are confident we can continue to attract women and minority student interns who will become valued long-term employees.

In 2022, Mondrian's US office hosted multiple interns with diverse backgrounds. We continue to use this program as our main recruiting tool and in 2022 one of our interns became a permanent member of the team.

### Charitable Donations Program

Additionally, Mondrian has an award-winning Charitable Donations Program that is driven by our employees.

Mondrian budgets a portion of our revenue each year to charitable giving and social causes. We realise that there are many worthy organisations that deserve financial support. Mondrian's employees have a long history of generous personal charitable giving and have requested that our corporate charitable contributions program is aligned with their personal choices. Mondrian's charitable contributions program double matches employee donations on a two dollars for dollar/two pounds for pound basis up to the charitable contributions amount budgeted for the year.

Mondrian believes that its charitable contributions program commits a meaningful portion of its annual revenues to many worthwhile and deserving organisations, while allowing its employees to determine the causes that are most important to them.

We were given the Diamond Giving Quality Award (top award) in 2019, 2020 and 2021 by the Charities Aid Foundation in the United Kingdom for our Give As you Earn scheme. To qualify for the award a certain percentage of employees need to participate in our charitable giving scheme, and we need to have a certain percentage of new joiners throughout a year. This scheme benefits a number of different charities.

### How Purpose and Investment Beliefs Have Guided Stewardship, Investment Strategy and Decision-Making

Our scale, long-term investment horizon, and relatively low portfolio turnover and continuity of staffing allows us to build long-term constructive relationships with investee companies, allowing us to fully leverage our stewardship responsibilities. Our long-term methodology requires us to be good stewards with the objective of creating long term value for our clients. In this sense, our purpose and investment beliefs have guided our stewardship, investment strategy and decision-making.

## Effectiveness in Serving the Best Interests of Clients and Beneficiaries

In our view, the effectiveness of our ability to serve the best interests of clients and beneficiaries is reflected in delivering the expected long-term value and defensive performance characteristics leading to the long tenure of many of our client relationships, where on average, our clients have been with us for almost a decade.

### Conclusion

Our objective is to generate alpha for our clients and to provide a long-term rate of return meaningfully greater than our clients' domestic rate of inflation with investment strategies that seek to preserve capital during protracted market declines. We believe in a fundamental income-oriented approach to investment and have a long-term investment strategy that is supported by our long-tenured investment professionals and resilient client relationships. Our low turnover and long-term holding periods facilitate our responsible approach to stewardship. To ensure effective stewardship, we have an expectation to regularly meet with issuers both prior to and after investment, and for equity portfolios, allocate proxy voting decisions in the context of Mondrian's Proxy Voting Policy to the Portfolio Manager responsible for coverage of the company.

Our purpose, investment beliefs, strategy, and culture demand stewardship that creates long-term value for our clients and other stakeholders that we believe will lead to sustainable benefits for the economy, the environment and society.

# Principle 2

Signatories' governance, resources and incentives support stewardship

## Governance

Mondrian's Board of Directors, which has ultimate responsibility for risk oversight, consists of eight individuals, of whom two are Non-Executive Directors, three are women and one is an independent Director as of 31 December 2022. Day to day responsibility is delegated to appropriate committees appointed by the Board and to the senior management of each business area. To help prevent conflicts of interest, and in line with recommended best practice, the roles of Chairman and CEO are separated at Mondrian. Additionally, our Internal Audit function reports directly to the Chairman of the Board to provide independent, objective assurance.

## Equity

All final equity investment decisions at Mondrian are made by the Equity Strategy Committee for the relevant products. Equity Strategy Committee meetings are attended by specified members of each committee which will include the Chief Investment Officer of the respective products and the Group Chief Investment Officer as required.

To help make sure that Mondrian votes client proxies in accordance with the Proxy Voting Policy and Procedures and in the best interests of clients, it has established a Proxy Voting Committee which is responsible for overseeing the proxy voting process. The Proxy Voting Committee consists of the following Mondrian personnel: (i) two investment staff; (ii) Chief Operating Officer; and (iii) Chief Compliance Officer. The Committee will meet as necessary to help Mondrian fulfil its duties to vote proxies for clients.

## Fixed Income

Mondrian's fixed income strategies are determined by the Global Fixed Income Investment Committee, which consists of the entire team and is chaired by the Chief Investment Officer – Global Fixed Income & Currency. Although the committee meets regularly, the team all sit together and are in constant communication.

Internal ESG and stewardship processes are periodically reviewed as part of our Compliance Monitoring Process, as well as our Internal Audit review.

## Stewardship Resources and Implementation

Mondrian has a well-resourced team of 59 investment professionals all located in London. Assets are managed across the public equity and public fixed income spectrum and investment team members are grouped into Non-US Equities, Global Equities, Emerging Market Equities, Small Cap Equities, and Global Fixed Income and Currency, drawing on the breadth and depth of research and investment experience from across the firm. Our members work together in a team-based decision-making environment with clear leadership from our five respective Chief Investment Officers. Historically low staff turnover coupled with a consistently applied investment process for over 30+ years are a testament to the overall strength of our firm.

Stewardship is an integral part of Mondrian's equity and fixed income research process. To help ensure effective stewardship practices, Mondrian believes that the investment team member who has research responsibilities for the particular investment should be responsible for stewardship activities related to that company or country as they would have the best understanding of relevant material issues and be able to fully integrate any engagement or, for equity holdings, proxy voting activities into the overall research process and thus valuation model. In turn, that responsibility extends to the respective product CIO, as well as the Group CIO of our company. Mondrian's investment team has had extensive experience in managing funds in all global markets. Our investment style allows comparisons across both industry and country barriers through its use of consistent criteria, as opposed to looking for different characteristics in each market.

We have a bottom-up stock-focused, ongoing engagement program as investment teams and individual analysts are directly responsible for stewardship activities and ESG analysis. We do not have a centralised thematic engagement program.

## ESG Investment Steering Committee

Mondrian's ESG Investment Steering Committee, a sub-committee of the Mondrian Board, sets and reviews firm wide ESG objectives and initiatives to ensure that our resources and investment staff are capable of meeting ongoing developments associated with these issues. It meets quarterly and comprises of ten committee members including senior members from each investment team, our General Counsel, Chief Compliance Officer, and Head of Global Client Services. The Committee is chaired by the Head of ESG Investment and reports to the Board twice a year. Mondrian's Board is ultimately responsible for overseeing all firm practices, including ESG practices.

## Head of ESG Investment

In early 2022 we developed the role of Head of ESG Investment. Our Head of ESG Investment helps guide our firm wide ESG research, strengthening the communication of that research and knowledge base across the firm and using that research and knowledge base to support our existing investment products and, where opportunities present, develop new products. With support from the ESG Investment Steering Committee, the Head of ESG Investment is responsible for leading the development (working in conjunction with the CEO and investment product CIOs), implementation and ongoing management of Mondrian's ESG analytical framework. The Head of ESG will also work with the ESG Investment Steering Committee, individual product areas, the CIO Forum, and the Board to ensure that all new dedicated ESG products are consistent with Mondrian's ESG Framework.

## ESG Manager

Mondrian's ESG Manager coordinates our firm wide ESG strategy and initiatives, working closely with the Investment, Compliance, Legal, and Client Services/Business Development Teams.

## Training

All employees are encouraged to increase their knowledge and professional skills. This may be gained through experience such as secondments and exposure to other areas of the organisation. This may also be achieved through undertaking sponsored professional qualifications such as the IMC, CFA, ACCA, Securities Institute diploma and CIPD. Personal and professional training and development gained through attendance at industry seminars, conferences, training courses and internal coaching and mentoring is also actively supported.

Mondrian's ESG Investment Steering Committee arranges ESG and stewardship training sessions for all investment and client service staff as needed and continues to review how we communicate our ESG integration process to external entities to help keep clients and consultants apprised of our approach.

## Activities and Outcomes

Mondrian acknowledges that ESG issues are constantly evolving and recognises that training is crucial to stay informed on developments in sustainability, ESG regulations, stewardship, and to reinforce how Mondrian incorporates ESG integration and active ownership into our investment process, shaping how our investment teams engage with present and potential portfolio companies on financially material ESG items.

Over the course of 2022 we formalised our investment team training program to have more regular sessions hosted internally and externally. Below is a summary of ESG training topics and audience during the period:

	ESG Investment Steering Committee	Investment Teams	Client Service/ Business Development Teams	Firm-wide Lunch and Learn Series	New Starter Inductions (All Teams)
Broad ESG marketplace issues	✓	✓	✓	✓	✓
Regulations: EU SFDR	✓				
Mondrian ESG Approach	✓	✓	✓	✓	✓
Third Party resources: MSCI ESG	✓	✓	✓		
Third Party Resources: SASB	✓	✓	✓		
Engagement Tracker Tool	✓	✓			
Engagement Reporting	✓	✓	✓		
Proxy Voting Reporting	✓	✓	✓		

Additionally, the Global Fixed Income & Currency team attend training and seminars run by both Moody's and S&P and attend round table discussions and webinars held by the PRI on ESG in Credit Risk and Ratings, Climate Bonds Initiative, and the Emerging Markets Investors Alliance.

These training sessions help support our Investment Team in the integration of financially material ESG matters into their investment research; help our Client Service and Business Development Teams understand and better communicate our ESG and stewardship approach; and help staff members across the firm gain a better understanding of ESG issues and Mondrian's ESG approach.

Our Head of ESG Investment and ESG Manager attended a wide variety of conferences and webinars, as well as training courses to stay apprised of and further our understanding of the evolving ESG space. In 2022 these included:

- Sell side ESG events
- PRI in Person Conference
- PRI webinars and workshops
- Investment Association hosted TCFD Training
- Responsible Investor US Conference
- UKSIF Conferences and roundtables
- SASB webinars
- ISS Stewardship Briefing
- Regulations focused events hosted by various law firms, consultants and the Investment Association

### Evolution of Investment Team Training

We continue to review and develop our ESG training program, regularly requesting feedback via the investment team members of the ESG Investment Steering Committee. We are also looking into further external training on topical items to help support our team.

Please refer to Appendix 1 for further details on the experience and skills of the team.

## Remuneration Programmes to Incentivise the Integration of Stewardship in the Research Process

As previously mentioned, our remuneration is structured in a way to reward staff but equally to encourage staff to feel like equity partners in the future of the firm. Base salaries are a small part of the remuneration package for investment staff where bonuses are expected to be the largest part of cash remuneration. One of Mondrian's points of difference in maintaining its culture is its link with equity ownership. Approximately half of all staff, including all portfolio managers and above within investment teams, are equity owners in Mondrian. These awards are made separately in the middle of the year, and we can recalibrate upside or dilute as necessary to reflect individuals long term value to our company. These awards, like all remuneration, are intended to motivate and retain but are a key part of our multi-generational privately held firm.

Specifically, Mondrian has the following programs in place to retain key investment staff:

1. Competitive Salary: All investment professionals are remunerated with a competitive base salary.
2. Profit Sharing Bonus Pool: All Mondrian staff, including portfolio managers and senior officers, qualifies for participation in an annual profit-sharing pool determined by the company's profitability (approximately 30% of profits).
3. Equity Ownership: Mondrian is employee owned. A high proportion of senior Mondrian staff (investment professionals and other support functions) are shareholders in the business. Equity value is built up over many years with long vesting periods and the value of any individual's equity is normally paid out in instalments over a number of years after an agreed retirement from the firm. This is a (very) long term incentive plan directly tied to the long-term equity value of the firm.

In determining the incentives (Bonus and Equity Programs) for investment professionals, Mondrian focuses on the key areas of a) research quality (including ESG analysis), b) long-term and short-term stock performance, c) teamwork, d) client service and marketing.

## Investment in Systems, Processes, Research and Analysis

### Systems and Processes

As mentioned in our 2021 Stewardship Code Statement, regulations such as the UK Shareholder Rights Directive, as well as an increased interest from asset owners in stewardship activities, have significantly increased stewardship reporting requirements. Asset owners and consultants are requesting an ever-changing array of details regarding engagement and proxy voting activities, with each asking for slightly different data across different time periods. Mondrian aims to support our clients in their beneficiary reporting and provide transparency into our stewardship practices.

For Mondrian's equity strategies, all proxy voting decisions are tracked and actioned using Sunrise, a web-based workflow and ticketing system, before being sent to the Proxy Voting Adviser and the clients' custodians. This mitigates the risks of pre-population of votes and ensures good record keeping practices.

### Activities and Outcomes

To accommodate the rise in stewardship reporting requests, we have developed and implemented three significant internal systems enhancements over 2022: Engagement Tracker Tool, automated Engagement Statistics Reporting and enhanced Proxy Voting Reporting.

The centralised Engagement Tracker Tool facilitates the systematic recording of research meetings across all investment teams. Information collected for each meeting with current and prospective holdings includes whether the meeting was for understanding, for change, or for both; ESG topics discussed; meeting format; location; and participant details.

Outputs of the Engagement Tracker Tool are accessible internally via the Engagement Statistics Reporting Tool to the investment teams, Client Services for client and consultant reporting purposes, as well as Mondrian's Compliance Team for ongoing monitoring.

Our Proxy Voting Reporting system was also enhanced to automatically calculate summary statistics and provide the ability for our reporting teams to extract aggregated proxy voting data from a centralised service.

## Research and Analysis

Given Mondrian's fundamental research process, ESG analysis is undertaken by the investment team themselves through a range of sources, including proprietary research and meetings with company management and boards. During the period, the ESG Investment Steering Committee supported the investment team's research and analysis of financially material ESG risks and opportunities, including for newer investment team members or any analysts covering an industry for the first time. As detailed in Principle 7, Mondrian utilises a proprietary stock level ESG evaluation framework (the ESG Summary Report) across all our equity strategies to systematically and explicitly document the considerations of financially material ESG risks and opportunities, and their quantitative impacts on the valuation model.

### Activities and Outcomes

To help identify financially material ESG factors at the industry level in a more structured manner, Mondrian has licenced the SASB Standards aiming to use them as a completeness check for our existing ESG integration process. SASB Standards identify the sustainability disclosure topics most relevant to financial performance for the typical company in an industry. The SASB Standards are now part of the IFRS Foundation's International Sustainability Standards Board ("ISSB").

Additionally, Mondrian became a member of CDP in 2022. The CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states, and regions to manage their environmental impacts. It enables companies to report climate-related financial disclosures, as well as water security and deforestation if material. Being a member of CDP enables Mondrian to access corporate climate disclosures as well as the CDP scores and peer group scores.

To help support our investment team in the completion of their ESG analysis, we enhanced our ESG Summary Report template to include new reference sections – for example the SASB Materiality Map, drawing out some potentially useful metrics and questions for awareness, and providing resource links.

The outcome of investments in systems, processes, research and analysis is enhanced integration of stewardship activities and deeper analysis of financially material risks and opportunities within the investment process. Our client stewardship reporting has also improved as a result.

## Governance Structures and Processes - Effectiveness and Potential Enhancements

### Effectiveness of Chosen Governance Structures and Processes in Supporting Stewardship

We believe that our governance structures, through their focus on detailed, long-term fundamental analysis, demand effective stewardship to achieve long-term investment returns for our clients and other stakeholders. These processes are reviewed semi-annually by the Board. We continue to improve our structures, systems, and processes.

### Governance Structure Enhancements

As a reminder, Mondrian aims to consider all material factors that could influence the future cash flows of companies, incorporating the analysis of environmental, social and governance risks and opportunities as a normal part of the valuation process. We have recognised the need for portfolio level ESG data to be incorporated into our Investment Risk Oversight Committee reviews to help increase awareness of top level ESG exposures and ensure CIOs understand the contribution of portfolio constituents to such metrics. The Investment Risk Oversight Committee is a sub-committee of the Board, meets quarterly, and consists of our CEO/Group CIO, Chief Compliance Officer and Head of Investment Analytics. After each formal review, our CEO/Group CIO meets with each product CIO to discuss portfolio level risks. We are looking to implement this governance enhancement in 2023.

### Systems and Process Enhancements

Mondrian has a long history of meeting with companies and voting proxies as an inherent part of its investment process, as part of our process we continuously review internal stewardship processes to ensure they evolve with any newer regulatory or reporting initiatives and client demand. Some planned system/process enhancements are described below.

Our Engagement Tracker Tool was recently enhanced to include a timeline to help monitor ongoing activities and outcomes; we are in the process of implementing this additional feature over the course of 2023.

We note the US Securities and Exchange Commission's recent finalisation of proxy vote reporting changes with the revised form N-PX requirements, which will impact Mondrian's US registered mutual funds, as well as 40 Act Fund sub-advisory reporting requirements. We will look to enhance our reporting capabilities in 2023 to meet these requirements.

Finally, we look forward to the Financial Conduct Authority's ("FCA") Vote Reporting Group public consultation on a standardised industry-agreed approach and will look to develop our proxy voting reporting capabilities in line with the recommendations.



# Principle 3

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first

## Conflicts of Interest

The stewardship-related elements of Mondrian's Conflicts of Interest Policy, available at [www.mondrian.com](http://www.mondrian.com), have been expanded upon below.

A conflict of interest arises when Mondrian and/or its employees have a competing professional or personal interest which could affect their ability to act in the best interests of Mondrian's clients. A conflict could exist even if no unethical or improper act results from it. Mondrian has a culture which fully recognises the fiduciary duty we owe our clients and promotes the ethos of ensuring that clients' interests are put ahead of the firm's.

The UK regulator, the FCA, requires regulated firms to identify conflicts of interest (both between the firm and its clients and the firm's employees and its clients) and establish, implement, and maintain an effective written conflicts of interest policy. Mondrian is also registered with the SEC which has similar requirements for the identification and management of conflicts of interest. Mondrian maintains and operates various policies and procedures which are designed to prevent conflicts of interest materialising and adversely affecting the interests of our clients. The purpose of our conflicts of interest policy is to outline Mondrian's approach to the identification, management, recording and where relevant, disclosure of conflict of interests.

## Identifying conflicts of interest

Mondrian has a Code of Ethics Policy, a Conflicts of Interest Policy and Compliance Manual which employees read annually and certify the application of quarterly.

For the purpose of identifying conflicts of interest that may arise in the course of providing a service to our clients, we have considered whether Mondrian, its employees or another client, are directly or indirectly, likely to:

- Make a financial gain, or avoid a financial loss, at the expense of the client;
- Have an interest in the outcome of a service provided to a client or in a transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome;
- Have a financial or other incentive to favour the interest of one client or group of clients over the interest of another client or group of clients;
- Receive from a person other than the client an inducement in relation to the service provided to the client, in the form of monies, goods or services, other than the standard fee for that service.

Mondrian's senior management is engaged in ensuring that the Conflicts of Interest Policy is up to date and has identified all relevant conflicts, including discussion and agreement of a mitigation plan for any new conflict that arises.

## Potential Conflicts of Interest Arising from Stewardship

Potential Conflict Scenario	Conflict Management Process	Potential Conflict 2022	Actual Conflict 2022
<b>Mondrian Holds both the Equity and Debt of a Company</b>  Mondrian's Equity and Corporate Fixed Income teams may invest in the same company, leading to potential conflicts from differing perspectives on company strategy and thus engagement priorities with the company.  This scenario may result in potential conflicts around capital allocation strategies and engagement priorities. This is an investment risk.	<b>Where such conflicts may arise between our Equity and Corporate Fixed Income teams, each team would act separately as appropriate for their clients.</b>  We note that our Equity and Corporate Fixed Income Teams have a close working relationship, with all investment teams based in our London office. Additionally, our centralised Engagement Tracker Tool – used by all investment teams – helps facilitate transparency and communication amongst teams.	15 such situations over the period	No conflicts arose during the period.

<b>A Company Held by a Mondrian Product Acquires a Company Held in a Different Mondrian Product</b>	<b>Where such conflicts may arise between Equity teams, each team would act separately as appropriate for their clients.</b>	<b>0 such situations over the period</b>	<b>No conflicts arose during the period.</b>
<p>Mondrian offers an array of different investment products; a potential conflict may arise if a company held by one product portfolio acquires a company held in a different product portfolio.</p> <p>This scenario may result in a potential conflict of competing valuations of the acquisition, depending on the perspective of investing in the acquiring company or the company being acquired. This is an investment risk.</p>			
<b>Voting on Behalf of Separate Account Clients Holding Their Own Securities</b>	<b>If Mondrian is delegated voting authority for the separate account client, it will vote in line with its Proxy Voting Policy and Procedures.</b>	<b>0 such situations over the period</b>	<b>No conflicts arose during the period</b>
<p>There may be a scenario in which a separate account client that is also a publicly listed company may be held in its own Mondrian managed portfolio.</p> <p>This scenario may result in potential conflicts when conducting engagement / voting as Mondrian may be reluctant to raise issues with the company's management. This is a stewardship and client relationship risk.</p>			
<b>Differing Client Stewardship Policies: Proxy Voting</b>	<b>Our clients may have different interpretations of fiduciary duty – some consider it to be purely focused on economic interests, while others may believe it extends to societal interests as well.</b>	<b>5 such situations over the period</b>	<b>No conflicts arose during the period.</b>
<p>Mondrian has a diverse client base and serves a variety of different client types. We appreciate that our clients each have their own ESG and stewardship priorities and seek to accommodate client interests for their specific portfolios. To facilitate consistent voting policies across external managers, some of our clients have bespoke proxy voting policies which are applied to their portfolio.</p> <p>This scenario may result in the potential conflict of differing proxy voting priorities between the proxy voting policies of Mondrian and our clients or amongst clients. This is a client relationship risk.</p>	<p>Where there are differences between Mondrian's Proxy Voting Policy and Procedures and that of our clients or amongst clients, our clients' proxy voting policies take precedence for their specific portfolio.</p> <p>We continue to engage with our clients to understand their ESG and stewardship priorities and monitor potential divergences.</p>		

<b>Differing Client Stewardship Policies: Engagement</b>	Our clients may have different interpretations of fiduciary duty – some consider it to be purely focused on economic interests, while others may believe it extends to societal interests as well.	0 such situations over the period	No conflicts arose during the period.
Mondrian has a diverse client base and serves a variety of different client types. We appreciate that our clients each have their own ESG and stewardship priorities and seek to accommodate client interests for their specific portfolios. To facilitate client-specific engagement priorities across external managers, some of our clients have bespoke engagement initiatives which are applied to their portfolio.	Where there are differences between Mondrian's Engagement Policy and that of our clients or amongst clients, our clients' engagement policies take precedence for their specific portfolio.		
This scenario may result in the potential conflict of differing engagement priorities between the engagement policies of Mondrian and our clients or amongst clients. This is a client relationship risk.	We continue to engage with our clients to understand their ESG and stewardship priorities and monitor potential divergences.		

## Activities and Outcomes

We note that in general, conflicts of interest such as those detailed above are rare occurrences. There were no actual conflicts of interest identified in 2022.

## Mitigation Roles and Responsibilities

Mondrian has a number of committees which have a key role in ensuring that the management of conflicts of interest is embedded in the business processes. For example:

- Compliance & Risk Committee — ensures that Mondrian has adequate arrangements for complying with regulatory principles and rules.
- Best Execution & Trading Oversight Committee — ensures that Mondrian's trading arrangements provide cost effective, quality trade execution.
- Proxy Voting Committee — ensures that Mondrian's proxy voting policy is operated in the best interests of clients and any conflicts are properly managed.
- Fair Value Pricing Committee — ensures that the client's best interests are paramount in any required pricing adjustments/recommendations.

Additionally, personal conflicts of interest are addressed within our Code of Ethics, which all staff must attest to annually.

## Monitoring of Compliance with Conflicts of Interest Procedures

Mondrian maintains a Conflicts of Interest Register that lists all potential conflicts of interest that have been identified. Any conflicts arising are logged immediately in the Conflicts of Interest Register.

Mondrian has written policies and procedures addressing each conflict identified in the Register. These policies and procedures are designed to manage the potential conflict so that the interests of clients are always put ahead of Mondrian or its employees.

Where a conflict has arisen, steps are taken to ensure that the conflict either does not arise again or is properly managed so that client interests remain paramount. These details are also recorded in the Register.

Mondrian has a comprehensive Compliance Monitoring Programme which is specifically designed to check that key conflicts have been properly managed. A large number of the different types of tests that are carried out each year include checks to ensure that conflicts have been properly managed.

Any apparent violations of the procedures designed to manage conflicts are investigated and reported to the Chief Compliance Officer, who will determine any action necessary. Any material matters would be reported to senior management and the Mondrian Compliance & Risk Committee and, where required, any relevant regulator.

# Principle 4

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system

## Market-wide and Systemic Risks

Mondrian has a responsibility to address both risks to our business and investment performance risk to our clients. With this responsibility, to address these risks, we believe we have an obligation to promote a well-functioning financial system and undertake responsible financial management at Mondrian to help minimise systemic risks from within the financial system. We believe that active management helps contribute to well-functioning markets by making them more efficient. Mondrian's long-term analysis and investment horizon incorporating its disciplined investment valuation approach coupled with its Purchasing Power Parity ("PPP") currency evaluation approach, requires understanding of micro-economics, geopolitics, fiscal and monetary policies as well as macro-economics and global currencies.

## Governance

### Operational Risk Management

Mondrian's Board of Directors has ultimate responsibility for risk oversight and relevant business areas as set out in their Statements of Responsibility under the FCA's Senior Managers and Certification Regime ("SMCR"). Day to day responsibility is delegated to appropriate committees appointed by the Board and to the senior management of each business area with oversight by the relevant Senior Manager. Mondrian's Board meets on a quarterly basis, during which they review the overall risk profile of the business. Each of the Board's appointed Committees and functions that have specific responsibility for risk assessment (Compliance and Risk Committee, Internal Audit and Chief Investment Officers) provide reports to the Board to allow them to assess the overall risk profile of the business.

The board will consider all significant risks in the decision making and strategic planning process and focus resources on any areas where substantial risk mitigation is required. Mondrian believes that risk management should be embedded in Mondrian's corporate ethos and that all employees are responsible for maintaining a control culture throughout the business. We consider systemic and market risks as part of the stress testing that we perform in relation to ICARA (formerly ICAAP) which determines capital requirement assessing business, market and operational risk using extreme but plausible scenarios.

The Mondrian Committee structure is shown below:

Board and Sub Committees



Other Relevant Committees



Our Investment Risk Oversight Committee, as well as our CIO Forum, review product exposures, risk and style characteristics within our investment products. In his role as chair of the Investment Risk Oversight Committee, our Group CIO will discuss the product risk overview with individual CIOs and the CIO Forum.

## Investment Risk Oversight Committee

Mondrian's Investment Risk Oversight Committee provides independent investment risk oversight and challenge. The Committee meets quarterly and is supported by reports from Mondrian's external risk reporting provider Barra and is assisted by reports from our Compliance and Risk Team, Performance Team, and Product CIOs as required to ensure adherence with stated objectives and risk guidelines. The Investment Risk Oversight Committee is chaired by Mondrian's CEO and Group CIO and includes the Chief Compliance Officer and Head of Performance. The Board reviews Investment Risk Reports quarterly.

## CIO Forum

Mondrian's CIO Forum meets formally at least monthly (but also on ad hoc occasions and between individuals when required) to discuss global valuations within the construct of our investment process, research from the portfolio management teams, current macro themes around the world including market and systemic risk, as well as country and sector positioning within our strategies. Clive Gillmore, CEO and Group CIO, chairs this collaborative meeting with our five other CIOs. The purpose of this dialog is to share ideas and ensure the consistency of our investment process across the firm.

Individual CIOs are responsible for managing investment risk on respective portfolios. Each product has its own strategy committee where regular internal challenges take place. In addition, we subscribe to independent risk analysis tools such as Barra and FactSet which are used to provide a check and balance, although we caution that measures used here are mostly backward looking. It is forward looking risk we aim to manage, and we believe we have a number of internal controls to help. All CIOs have to present annually to the Board of Directors on their portfolios and how risk is being managed and controlled. The Board challenges CIOs as necessary.

## Industry Associations

Mondrian participates in various industry initiatives to help support our firm-wide practices and facilitate well-functioning financial markets. We aim to be proactive participants in the industry initiatives we support. From a political aspect, as a firm we do not lobby governments or support politicians or political groups.

In addition to the below, the majority of our investment staff are CFA Charterholders and Mondrian has a representative on the CFA UK's Advisory Council, which facilitates staff knowledge of market and systemic risk, and in turn allows us to contribute to the development of good market practices.

We continue to consider a range of other external best practice initiatives. When reviewing external initiatives, we need to ensure we consider our broader client base.

Initiative/ Organisation	Background	Mondrian Participation	Initiative Effectiveness
Principles for Responsible Investment	The Principles for Responsible Investment ("PRI") is the world's leading proponent of responsible investment. It works to understand the investment implications of ESG factors and support its global network of investor signatories in incorporating these factors into their investment and ownership decisions.	<p>In recognition of our continued commitment to the integration of financially material ESG factors throughout the investment process, Mondrian became a PRI signatory in September 2016. As a signatory we financially support the PRI, and report on our ESG practices annually. We attend working groups, webinars and PRI events, and participate in PRI consultations.</p> <p>In October 2022 Mondrian participated in the PRI in a Changing World workshop to discuss the global responsible investment landscape and the PRI's role (and future role) within it. We also responded to the formal consultation survey.</p>	<p>This initiative contributes to well-functioning markets by being a key proponent of responsible investment best practices. It engages with policy makers, industry bodies and its signatory base to evolve various ESG considerations, including data, key topics and stewardship practices.</p> <p>For Mondrian, the annual PRI reporting process helps us reflect on our ESG governance, policies, integration and stewardship practices, as well as identify potential areas for improvement.</p> <p>In the most recently available PRI Assessment report on 2021 practices, Mondrian received the following ratings:</p> <ul style="list-style-type: none"> <li>Investment &amp; Stewardship Policy: 3 Stars</li> <li>Direct-Listed equity-Active fundamental-incorporation: 4 Stars;</li> <li>Direct-Listed equity-Active fundamental-voting: 3 Stars;</li> <li>Direct-Fixed income-SSA: 5 Stars;</li> <li>Direct-Fixed income-Corporate: 5 Stars.</li> </ul> <p>Please refer to <a href="http://www.unpri.org">www.unpri.org</a> for the PRI assessment methodology. Mondrian's full Assessment Report and Transparency Report may be requested via the PRI Data Portal.</p>

UKSIF	The United Kingdom Sustainable Investment and Finance Association ("UKSIF") is a non-profit organisation that enables members to engage on policy positions and consultation responses, stay up-to-date on policy, political developments, best practices, and hosts various events for learning and networking.	Mondrian became a member of UKSIF in September 2022. Membership enables us to participate in topical roundtables with other investors, as well as more formal events help us learn more about evolving best practice. It facilitates engagement with policy makers, particularly in the UK.	<p>This initiative contributes to well-functioning markets by bringing together the UK's sustainable finance and investment community and supporting its members to expand, enhance and promote this key sector.</p> <p>Through its work engaging government and regulators on policy, it provides a way for smaller asset managers like Mondrian to have a voice in policy development in a more efficient way.</p>
SASB (now part of ISSB)	The Sustainable Accounting Standards Board ("SASB") Standards identify the sustainability disclosure topics most relevant to financial performance for the typical company in an industry. The SASB Standards are now part of the IFRS Foundation's International Sustainability Standards Board ("ISSB").	In late 2021 Mondrian licenced the SASB Standards to complement our existing proprietary research approach to analysing financially material ESG factors with a more structured approach. SASB Standards are used as a completeness check for our existing ESG integration process.	This initiative contributes to well-functioning markets as part of the ISSB, seeking to develop comprehensive sustainability disclosure standards for corporates, helping to ultimately provide better, more decision-useful data for investors and facilitating more transparency around financially material ESG risks and opportunities.
PRI Statement on ESG in Credit Risk and Ratings	This initiative is supported by asset managers, rating agencies and asset owners and aims to enhance the transparent and systematic integration of ESG factors in credit risk analysis.	Mondrian began supporting this initiative in December 2018. As part of this initiative, we attend round table events covering multiple ESG topics such as engagement with issuers.	This initiative contributes to well-functioning markets by working to support investors in the incorporation of ESG factors within the fixed income asset class. Most recently, it has been involved with the development of the Assessing Sovereign Climate-related Opportunities and Risks ("ASCOR") Project, which has been established to create a tool giving investors a common understanding of sovereign exposure to climate risk and of how governments plan to transition to a low-carbon economy.
Emerging Markets Investors Alliance	The Emerging Markets Investors Alliance ("EMIA") is a not-for-profit organization that enables institutional emerging market investors to support good governance, promote sustainable development, and improve investment performance in the governments and companies in which they invest. EMIA seeks to raise awareness and advocate for these issues through collaboration among investors, companies or governments, and public policy experts.	Mondrian actively participates in several collaborative engagements organized by EMIA, which facilitates our ability to engage with emerging markets sovereigns.	<p>This initiative contributes to well-functioning markets by enabling institutional emerging market investors to support good governance, promote sustainable development, and improve investment performance in the governments and companies in which they invest.</p> <p>Members of Mondrian's Global Fixed Income and Currency Team are part of the EMIA Debt and Fiscal Governance Working Group, the Sovereign Decarbonization Working Group and the Extractive Industries Working Group.</p> <p>The Debt and Fiscal Governance Working group seeks to improve fiscal transparency around the budget process for Sovereign issuers. The Sovereign Decarbonization Working Group seeks to improve the environmental practices for Sovereign issuers. The Extractive Industries Working Group has been focusing on engagement with emerging market oil and gas companies with the aim to achieve methane emissions reduction.</p> <p>Please refer to Principle 10 for details of our Global Fixed Income and currency team's collaborative engagements through EMIA.</p>



Climate Bonds Initiative	The Climate Bonds Initiative ("CBI") is an international, investor-focused not-for-profit organization that works solely on mobilizing the bond market for climate change solutions.	Mondrian launched a Global Green Bonds strategy in 2020 and the Global Fixed Income & Currency Team participates in CBI events and references its resources.	This initiative contributes to well-functioning markets by developing the Climate Bonds Standard and Certification Scheme, policy engagement and providing market intelligence. It helps empower partner organisations with the tools and knowledge needed to navigate the climate bond market.
Institutional Investor Legal Forum	The Institutional Investor Legal Forum, which includes a Compliance and Regulations Roundtable, is a private international membership group of general counsels and other senior compliance and legal team members at leading investment management firms.	Mondrian became a member of the Institutional Investor Legal Forum in 2014 and participates in the annual meetings and various events.	This initiative contributes to well-functioning markets by facilitating general counsel and senior compliance and legal team discussions on strategy, best practices, and approaches to regulation. Regulators are regular guest speakers in a small room discussion format.

## Investment Approach Alignment and Assessment of Effectiveness

Mondrian takes risk control seriously across the whole chain of the investment process and provides sufficient independent oversight where required. Our philosophy and process has been consistently applied across strategies since our inception and informs our response to market and systemic risks. Mondrian manages market-wide and systemic risks by having well diversified portfolios across geographies and sectors, implementing minimums and maximum weights on market allocations and sector exposures, and exposures limits on individual security weights where necessary. We work to identify any risks within our industry as well as the broader financial system as part of our investment process. Given our long-term fundamental approach, we focus on and must understand the direct impacts of market and systemic risks at the individual company level. In addition, we endeavour to have a 360-degree analysis of indirect impacts at the stock and portfolio level. Market risks such as rising interest rates, inflation, weak governance such as a lack of board independence and irresponsible financial management such as high levels of corporate debt must be considered as part of a healthy financial system. While perhaps not an explicit market risk, irresponsible financial management can have a significant impact on market risk if not managed. Systemic risks impact all market members, albeit unequally. Our role as a fiduciary is to help ensure the companies that we invest in have invested in and adhere to a disciplined risk management framework to withstand the potential challenges of market and systemic risks, noting that such risks will impact each sector, industry and company differently. We engage with issuers on disclosures of risks and opportunities related to such issues. As our investment team is directly responsible for ESG analysis and stewardship activities, and our investment process takes a bottom-up approach, we do not have a centralised thematic engagement program but rather focus on each company's impact individually.

### Equity Investment Process

Mondrian builds long-term dividend discount models to analyse company valuations. We typically use a four-stage model that forecasts dividends for years 1-5 in detail, modelling, in a dynamically integrated way, the income statement, balance sheet and cash flow of the company. Years 6-10 are forecast as a normalisation period which also usually requires dynamically integrated financial modelling. We then calculate a long-term growth rate for years 11-50 followed by a zero real terminal growth rate.

We use scenario analysis and stress testing to ascertain a range of outcomes utilising top-down information such as politics, macroeconomics, currencies, and inflation as well as industry dynamics and bottom-up stock related information including financially material ESG risks and opportunities. Our emphasis on worst case scenarios and owning companies with a favourable skew has enabled us to achieve a track record of providing consistent performance with minimised volatility.

While tracking error is monitored, it is not a primary driver of our investment process. We believe that the most important risk for our clients would be that of failing to achieve their target returns, so we place more emphasis in our research process on examining the gap between the most likely return and the worst-case return for each investment. We also believe this detailed downside scenario analysis for all markets and stocks has been a key factor in achieving very low volatility of our returns.

### Fixed Income Investment Process

Managing portfolio risk is an integral part of our investment process from the initial setting of investment strategy.



The process controls for the following risks:

- Inflation Risk is mitigated by our inflation forecasting approach and preference for markets that compensate for inflation risk.
- Sovereign Credit Risk is mitigated via our analysis of factors that affect sovereign creditworthiness. This serves as an additional risk control, ensuring the portfolio limits exposure to countries with deteriorating risk profiles.
- Currency Risk is controlled via our hedging strategy. If we believe that a currency is extremely overvalued, we will pare back exposure to that currency.
- Corporate Credit Risk is controlled through our rigorous credit process that acknowledges asymmetric risk/reward profile of credit.
- Interest Rate Risk is controlled through our duration/maturity strategy. We will employ a high duration/maturity strategy in markets that have relatively high Prospective Real Yields, to maximise the advantage. Similarly, we will adopt a low duration/maturity stance where Prospective Real Yields are relatively low, as a defensive move.
- Liquidity Risk is mitigated by keeping turnover low and having a prudent approach to capacity management so that we can remain nimble.
- Environmental, Social & Governance Risk is mitigated by full integration of these factors into our investment process. Responsibility for ESG analysis rests with the investment team, with ESG analysis carried out in-house. ESG factors are explicitly incorporated into both Mondrian's corporate and sovereign issuer credit ratings, providing a framework for integration of these considerations into the analysis of an issuer's valuation.

Portfolio construction is both top-down and bottom-up in nature. It starts from the top-down by determining the relative value of all markets and currencies in the investment opportunity set through our PRY and PPP processes. Once this is determined, an optimal allocation to those countries and currencies is generated. From the bottom-up, specific sectors and securities are then selected within the given top-down allocation through our relative value credit approach.

An optimiser is used to guide portfolio positioning. It selects those countries with the highest PRYs while at the same time ensuring diversification by minimising the deviations from the benchmark. By doing this, the optimiser generates a portfolio that maximises PRYs across the selected countries, subject to constraints on the degree of dispersion around the benchmark index. Subsequently, Mondrian buys the attractive markets and sells those that are relatively unattractive.

Tracking error risk (deviation from index) is controlled at the portfolio optimisation stage by seeking a country allocation that minimises the dispersion around the benchmark for a given prospective real yield target taking into account the correlation between markets. This will ensure that sufficient diversification of the portfolio is achieved whilst maintaining the objective of investing in markets with high Prospective Real Yields. We estimate ex-ante tracking error using historic covariance matrix of bond returns and currencies.

## Activities and Outcomes

Over 2022 we continued our focus on the market and systemic risks related to responsible financial management, inflation and interest rates, and climate change. Additionally, below we address sanctions and the Russia-Ukraine conflict, a key issue in 2022.

## Sanctions and the Russia-Ukraine Conflict

Mondrian's sanctions policy aims to ensure that we comply with local sanctions related laws and regulations in countries both where our clients are based and the securities markets in which we operate. We utilise World Check to help facilitate sanctions monitoring. Additionally, Mondrian must comply with global sanctions imposed by supranational organizations, such as the UN Security Council, European Union and the laws of the governments of Australia, Canada, Switzerland, US and UK.

Mondrian has an established process to ensure compliance with the requirements of global sanctions. Prior to the Russian invasion of Ukraine on 24 February 2022, Mondrian's portfolios had limited exposure to both regions. The overall direct exposure was less than 0.5% of assets under management. Our Non-US Equity, Global Equity, and all Small Cap Equity portfolios had no direct exposure to Russia and the Ukraine. Our All Countries World ex US, Emerging Market Equity and Emerging Market Debt portfolios had small Russian positions of less than 1%, 3% and 8% respectively, which was roughly in line with the market position in their respective benchmarks. Mondrian's Fair Value Committee was immediately convened to ensure relevant positions were priced appropriately. We developed a subcommittee that met regularly to liaise with clients and the marketplace regarding our exposures. Throughout the period, there was Board level oversight of all legacy Russian exposures.

Mondrian engaged with our portfolio holdings where applicable to understand the extent of the impact on their businesses. Below are examples of such engagements.

## Engagements for Understanding Examples

### Company: BP

Topic: Governance

Background: BP is a British multinational oil and gas company.

#### Activity

We engaged with BP's CFO in March 2022 following the outbreak of the war in Ukraine and the announcement of BP's decision to exit their stake in the Russian oil and gas company Rosneft. We wanted to thoroughly understand the issues surrounding the decision on Rosneft.

#### Outcome

We learned several insightful points from the call which helped us understand the rationale for BP's actions. Subsequent to BP's decision many other corporates with activities and assets in Russia also took a divestment stance.

### Company: BNP Paribas

Topic: Social - Extent of exposure and position on Russian operations

Background: BNP Paribas is a French international banking group. Bonds issued by BNP Paribas have been held in our Aggregate Fixed Income strategies for a number of years.

#### Activity

On news of the invasion of Ukraine by Russia in February 2022, Mondrian's Credit Team engaged with management of a number of holdings which had Russian exposure, including BNP Paribas. The aim of the engagement was to facilitate a full understanding and quantification of exposure to Russia, both direct and indirect, and highlight ESG implications to holdings investment cases. The BNP Paribas management team was responsive and helpful, outlining the scale and nature of exposure, details on measures taken on existing trade flows to ensure compliance with sanctions and stress tests being carried out on the book.

#### Outcome

As a result of our engagement with the company, comfort was gained over the financial impact of the Russian business to the group, and Mondrian's ESG rating and overall credit rating for BNP Paribas remained unchanged. We continued to hold the bonds.

## Portfolio Activities and Outcomes

Within our International Small Cap strategy, we saw that supply chain bottlenecks were further exacerbated by the Russia-Ukraine conflict. This impacted the portfolio's exposure to industrials, especially the automotive companies, which were topped up at the beginning of the year given our optimistic economic outlook with evidence of supply chain easing. Unfortunately, we were too early in the top-ups ahead of the unforeseen Russia-Ukraine conflict. We retain conviction in the automotive investments which staged a rebound in 2Q22, reflecting their ability to retain margins given their pricing power thanks to dominant positions within their respective value chains. We also saw Europe reducing its dependence on Russian oil and gas following the Russia-Ukraine conflict, coupled with a historic lack of investment in commodities, driving prices higher. The portfolio's lack of direct exposure to commodities, including energy, affected performance. Whilst we were not early in the cycle in capturing oil and gas exposure, we swiftly added three new stocks offering exposure to increased oil and gas activity in North America, as well as increased LNG demand as Europe reduced its dependence on Russian pipelines. These additions contributed strongly to returns.

## Responsible Financial Management

### Independent Boards

Mondrian firmly believes that boards with a majority of independent directors are generally more effective - both from our understanding of academic research relating to the "Principal-Agent Problem" in corporate governance, and from empirical surveys.

Independent directors bring diverse viewpoints and new experience to the board providing effective challenge and advice for the management team compared to individuals who have been long serving at the company.

Independent directors are also a useful safeguard for minority shareholders as they help to balance the needs of all stakeholders. It is therefore very important that such directors are seen to be independent of the management team - especially when they have additional statutory responsibilities such as audit sign-off. Therefore, we believe that it is very important that independent directors are high-quality individuals where there can be no question of their independence.

Mondrian wrote to Japanese corporates within our Small Cap equity portfolios where board independence was lacking. We noted that the Tokyo Stock Exchange guidance on the definition of "independence" for a non-executive director is meaningfully less stringent than our proxy adviser's definition and encouraged alignment with market expectations for corporate governance best practice, helping to encourage these companies to be run in line with shareholder best interests. These engagements are ongoing, and some are detailed later in this report.

## Corporate Debt Levels

Our 2021 concern of high corporate debt levels, a clear market risk in a potentially rising interest rate environment, was a continued concern into 2022, resulting in corresponding positioning to help protect our clients from such risk and engagements with companies to understand corporate impact of rising interest rates.

## Inflation and Interest Rates

In the current economic environment, we continue to focus on inflation and interest rates across all of our products. Below are some of our thoughts regarding the potential impact to our portfolios.

In 2022, outside Asia interest rates rose sharply across developed economies, with the absolute levels of US dollar interest rates increasing by the fastest pace since the early 1980s. The rhetoric from global central bank leaders has continued to be hawkish going into 2023. Given the challenge they are facing with inflation, it is our expectation that their statements will continue to take a strong and hard line, until they don't, making forecasts of the precise trajectory of interest rates challenging. Mondrian's Global Fixed Income and Currency team do not forecast the levels of interest rates. We focus on the underlying real valuation of bond markets. Our proprietary econometric inflation models focus on inflation forecasts, and we use these forecasts to estimate the current PRYs across bond markets (nominal yield minus expected inflation over the next two years). Given the very sharp rises in interest rates in 2022, our estimates of expected PRYs have risen significantly. Our models indicate that in many markets, PRYs are moving towards longer-term normalized levels on the assumption that inflation should begin to stabilize. However, in the near-term, the outlook for broad inflation, driven primarily by energy costs and geopolitical events, remains challenging to model, and the range of outcomes for inflation is wider than normal and likely impacted by uncertain political as well as economic events. The peak and timing of interest rate policy remains uncertain.

Despite the recent optimism of the market, central banks have raised rates sharply, the energy crisis and energy insecurity continue to weigh heavily on certain regions (notwithstanding the recent much-appreciated warmer weather in the northern hemisphere), and real wages are contracting sharply in many important countries.

Given our analysis we positioned our portfolios to reflect our views, focusing on understanding the risks to portfolios and underlying holdings, as well as issuer approaches to such market risks to protect our clients' assets with the aim of providing defensiveness in a challenging market environment.

One of our investment objectives is downside protection. Consistent with our investment approach, the returns from Mondrian's Global and International portfolios demonstrated defensive characteristics in 2022, benefitting from the market's renewed appreciation of fundamental valuation and our philosophical focus on the valuation of underlying long-term cash flows from businesses to shareholders. Aided by value outperforming growth, Mondrian's defensively positioned Emerging Markets Equity strategy delivered outperformance against the broad benchmark and the value index.

## Climate Change

Climate change mitigation efforts and the decarbonisation journey with its accompanying policies, regulations, subsidies, incentives, levies and disclosure requirements pose both investment challenges and opportunities.

### Climate Change Considerations in the Equity Investment Process

We believe Mondrian is well placed to adapt to the evolving investment environment in terms of pricing risks and opportunities. Mondrian utilises a disciplined valuation framework to analyse companies based on their fundamentals, together with a long-term investment horizon, and scenario analysis to understand the skew of potential investment outcomes. To the extent that issues such as climate change, carbon emissions, water usage and energy usage have been identified as potentially financially material risks or opportunities to consider in evaluating the investment case of a particular company, our analysts will conduct further investigation into the extent of these exposures as well as any risk mitigation. The findings from this questioning and disclosure will be incorporated into our overall investment evaluation of the company and highlighted in the ESG Summary Report as detailed in Principle 7.

## Activities and Outcomes

### Examples of Investment Alignment

#### Company: Enel

Background: Enel is an Italian integrated utility company

ESG Analysis: In the short-term, earnings in Enel's profitable gas and electricity supply businesses are likely to come under significant pressure as Italy and Spain grapple with constrained gas supply, surging gas/electricity prices, and consumer protection measures following the sharp declines in Russian gas exports. Clearly this is a headwind in the short-term.

However, the medium and long-term impact of the conflict in Ukraine is likely to be a faster energy transition as Europe looks to reduce reliance on Russia for its energy needs. Renewable energy would solve the twin challenges of energy security and decarbonization. Enel, as a global leader in renewables with more than 55% of its electricity generation capacity in green power, is very attractively positioned to benefit from an accelerated energy transition in Europe. In addition, given Enel's high exposure to electricity grids, the company would also benefit from network extensions and upgrades given the need to integrate decentralized and intermittent renewable power generators into the broader grid.

**Outcome**

We added to the position in Enel during 2022.

**Company: Xinyi Solar**

**Background:** Xinyi Solar is the world's leading manufacturer of solar glass

**ESG Analysis:** Solar glass is an integral and difficult to substitute component of solar power modules and is therefore set to benefit from long-term structural demand growth trends associated with a shift towards renewable energy sources as the world pursues its energy transition path, specifically solar energy. Xinyi has a global market share of approximately 30%, which is set to grow in the coming years following capacity expansion plans announced by the company. This production growth will seek to satisfy increasing demand for more advanced, energy efficient products such as bi-facial modules which Xinyi should be at the forefront of developing. The company is privately owned, with a net-cash balance sheet to support their expansion plans. Xinyi's scale and low manufacturing costs mean it has superior profit margins and return on capital compared to competitors.

**Outcome**

We initiated a position in the company in 2022. At the time of initiation, our valuation work identified Xinyi to be one of the most attractively valued investment opportunities geared towards the structural growth of the renewable energy sector.

**Climate Change Considerations in the Fixed Income Investment Process****Sovereigns: Environmental Risk Factors**

Environmental issues inform our sovereign credit adjustment; higher sovereign credit adjustments result in a greater PRY premium required to drive an allocation. Undiversified economies based on commodities, agriculture or tourism can be exposed to environment-related shocks, such as flooding and storm damage, that can place additional burdens on the sovereign balance sheet.

To assess environmental strengths, we compare countries using the Environmental Protection Index compiled by the Yale Center for Environmental Law & Policy. This ranks countries on twenty-four different environmental performance indicators along two dimensions of sustainability – environment health and ecosystem vitality. Please refer to Principle 7 for more details on how environmental considerations are integrated into the sovereign fixed income investment process.

**Corporates: Environmental Risk Factors**

The impact on credit quality from environmental risk factors varies greatly by industry. Environmental factors can present both fundamental business risks, for example that posed by the shift to renewable energy on the oil & gas industry, and reputational risks. To assess environmental risks to credit quality we reference MSCI ESG research in addition to information collated through credit analysis from sources such as annual reports, rating agencies, discussions with management and industry research reports. Our environmental assessment contributes to our corporate credit rating for each issuer, which directly impacts portfolio allocation.

**Activities and Outcomes****Examples of Investment Alignment**

In September 2020 Mondrian launched a Global Green Bonds strategy which intends to invest primarily in a broad range of fixed and/or floating rate debt securities (such as notes and bonds) of governments, their agencies, instrumentalities or political subdivisions and companies, which Mondrian classifies as green bonds. Mondrian defines green bonds as any type of bond instrument where the proceeds will be applied to finance or refinance in part or in full new and/or existing projects that the Investment Manager believes are beneficial to the environment which include but would not be limited to climate change mitigation and adaption, natural resource and biodiversity conservation and pollution prevention and control. It is intended that in normal market conditions that 100% of the portfolio holdings will be invested in green bonds, as defined by Mondrian.

One of the key advantages of investing in green bonds is that they can provide a transparent conduit for positive impact investing. The proceeds of a green bond must be used exclusively for environmentally beneficial projects, contributing to objectives such as climate change mitigation, climate change adaptation, natural resource conservation, biodiversity conservation, and pollution prevention and control. Investors will have a clear view of how the proceeds of the bond are being used and what projects are being supported. The ability of issuers to deviate from this core principle and not invest the proceeds toward true environmental projects is also significantly restricted. Not only do issuers have to report on how the proceeds are being used but it is also common practice for independent third-party companies to verify that the issuer is upholding this commitment. Finally, investment managers should be undertaking their own analysis to ensure that they are only investing in true green bonds. Mondrian employs a full assessment of any green bond it considers for investment and monitors the portfolio on an ongoing basis to this end.

## Engagements for Understanding Examples

### Company: Boston Properties

Topic: Environmental - Commitment to green financing and flexibility to meet evolving environmental standards

Background: Boston Properties is a publicly traded real estate investment trust ("REIT") that invests in premier workplace properties in the United States. Our Global Green Bond strategy has held it in portfolios since May 2022.

#### Activity

Boston Properties have increasingly used the green bond market to raise finance, as well as targeting other environmentally linked financing. Our engagement with James Magaldi (Senior Vice President, Finance and Capital Markets) and Ben Myers (Senior Vice President, Sustainability) centred around understanding the potential challenges for Boston Properties to manage a green portfolio of assets and ensure that asset base would comply with evolving environmental standards. The representatives from Boston Properties were very confident that the asset pool conformed to the highest industry-relevant environmental standards, such as LEED certifications but also internal metrics, and that it was a transparent process in how these buildings would be designed, built and rated. The view was that as Boston Properties was essentially a developer, it had a high level of control over the design of buildings and how they are constructed, and as such it was relatively straightforward to ensure all buildings reached a high level of environmental performance. Environmental metrics on which to judge environmental performance are well established and transparent to external stakeholders. LEED certifications are sought, with a target of new office developments at Silver or higher. In reality, of LEED certified buildings over 98% are either Gold or Platinum levels. There was a high level of confidence that Boston Properties would maintain and grow their green portfolio and that environmental standards were interwoven strategically across all areas of the business that developed buildings. The company reaffirmed its commitment to green bond financing going forward and had a high level of confidence that the asset pool behind this would grow. We further discussed EU taxonomy requirements and reporting. The view was that whilst they were aware of the EU Taxonomy, they were very comfortable with their own green processes and structure and it did not figure as part of their strategy.

#### Outcome

We continue to hold the green bonds of Boston Properties within our Global Green Bond Strategy.

## Assessment of Effectiveness

Mondrian believes that both our business and investment risk management have been effective in aiming to identify and respond to market-wide and systemic risks, helping to promote well-functioning financial markets. We continue to discuss potential improvements and refinements to our risk management approach in Board and Board sub-committee meetings.

# Principle 5

Signatories review their policies, assure their processes and assess the effectiveness of their activities

## Stewardship Policies and Processes Review

Mondrian has several policies in place to enable effective stewardship, specifically our Firm-wide ESG Investment Policy, Engagement Policy, and Proxy Voting Policy and Procedures. Mondrian acknowledges that ESG and stewardship matters continue to evolve, thus we review our policies annually to ensure they are evolving along with industry standards and regulations. Mondrian seeks to continuously enhance our ESG analysis and stewardship practices. As a member of various ESG and stewardship-related best practice initiatives, we look to these organisations for ways to evolve our approach and policies where applicable to our business and investment approach.

Stewardship Policy	Reviewed By	Public Availability	Changes Resulting from review
Mondrian Firm-wide ESG Investment Policy	ESG Investment Steering Committee; Legal; Compliance; CIOs; Group CIO; ESG Manager	Available on Mondrian website	Expanded to include reference to exclusions approach; clarified Fixed Income engagement practices; Addition of SASB as external tool to support ESG integration
Mondrian Engagement Policy	Compliance; CIOs; ESG Manager	Available on Mondrian website	Expanded to include Fixed Income Engagement
Mondrian's Proxy Voting Policy and Procedures	Proxy Voting Committee; ESG Manager; Investment Support Services Manager	Available on Mondrian website	Policy deemed to be working effectively, no material changes for 2022 update

## Assurance

Mondrian's Board is ultimately responsible for overseeing all firm practices, including ESG and stewardship practices. As previously detailed, the ESG Investment Steering Committee reports to the Board twice a year on ESG-related initiatives. ESG analysis and stewardship practices are overseen as a regular part of the investment process. The implementation of ESG processes, including those related to stewardship, are periodically reviewed as part of our Compliance Monitoring Process, as well as our Internal Audit review.

## Compliance Monitoring Program and Internal Audit Oversight

Compliance reviews of ESG practices, including stewardship practices such as engagement and proxy voting, form part of the Compliance Monitoring Program, which is reviewed by the Compliance and Risk Committee. Internal Audit reviews of ESG practices form part of general reviews of investment team practices. Internal Audit reports directly to the Executive Chairman and presents to the Board on a quarterly basis. Material control issues and audit findings are reported at this point, along with a general update of Internal Audit activities. The Board also approves the annual Internal Audit Plan.

Mondrian conducts periodic reviews of the firm's ESG policies, procedures, implementation, and framework to ensure the control environment is adequate. Compliance will conduct walk throughs of the implementation process and on a regular basis will review holdings to ensure they are in compliance with Mondrian's policies and procedures. This includes a review of Mondrian's engagement process and supporting evidence. Internal Audit reviews of ESG practices form part of general reviews of investment team practices. The audit work includes meetings and walkthroughs with key staff, review of information (e.g., policies, procedures, models, system data and reports), and sample testing.

## Rationale for Review and Assurance Approach

Mondrian utilises one investment philosophy and process consistently across all equity strategies, covering four different asset classes: Global Equities, Non-US Equities, Emerging Market Equities and Small Cap Equities. All fixed income strategies are managed by our Global Fixed Income and Currency team. CIOs and/or senior portfolio managers from each of the five product areas review ESG and stewardship policies to ensure they reflect the investment practices for each asset class accurately. Mondrian's Proxy Voting Policy and Procedures are additionally reviewed by our Investment Support Services Manager who is responsible for facilitating the actual voting of proxies through Mondrian's Investment Support Services team.



To ensure that ESG and stewardship practices are in line with Mondrian's stated respective policies, our Compliance Monitoring Program and Internal Audit conduct separate reviews as part of investment team practice reviews, given that our investment teams are directly responsible for ESG analysis and stewardship activities.

## Stewardship Reporting

To ensure our stewardship reporting is fair, balanced, and understandable, Mondrian's Stewardship Code Statement is written by our ESG Manager and reviewed by our Head of ESG Investment, our Chief Compliance Officer, and product CIOs. The Group CIO/CEO completes the final review, reading through the entire report and commenting where necessary, and provides the final sign off. We aim to ensure that our report is reflective of the entire investment team's stewardship practices over the reporting period and does not over-emphasise the stewardship activities of any one investment team or product. We seek to provide transparency into our engagement and proxy voting activities, and the evolution of our centralised Engagement Tracking Tool has helped with this. Engagement and proxy voting data is aggregated across the firm and for each team specifically to provide stewardship reporting as required by regulations, the UK Stewardship Code, as well as by clients, consultants, and prospects, and third-party databases and initiatives such as the PRI. We encourage feedback on our stewardship reporting to ensure the reporting is clear and understandable.

Please see Principle 6 for more details on stewardship reporting and its evolution.



## Principle 6

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them

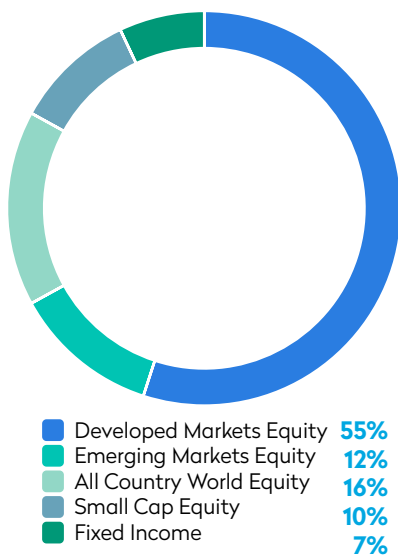
### Mondrian's Client Base

Mondrian has a diverse global client base, investing on behalf of leading corporations, public and private pension plans, endowments, and foundations in a range of equity and fixed income mandates. We are dedicated to providing exceptional client service and offer a range of institutional investment vehicles, including separate accounts, limited partnerships, collective funds, mutual funds and UCITS. Mondrian's clients are institutional in nature.

The allocation of our client base and AUM remains broadly similar in 2022 as in 2021. Please see below for a breakdown of clients and assets by region as of 31 December 2022:

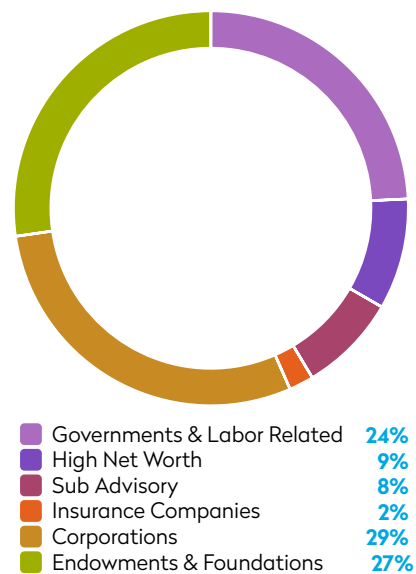
#### Types of Assets Managed

(Assets Under Management)



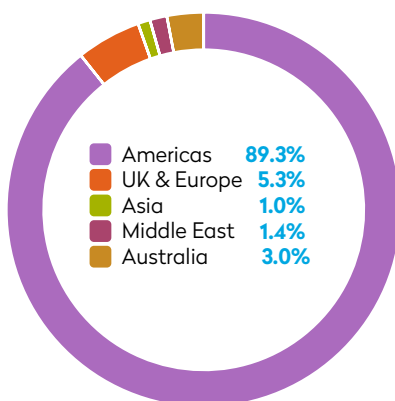
#### Types of Clients Served

(Number of Relationships)



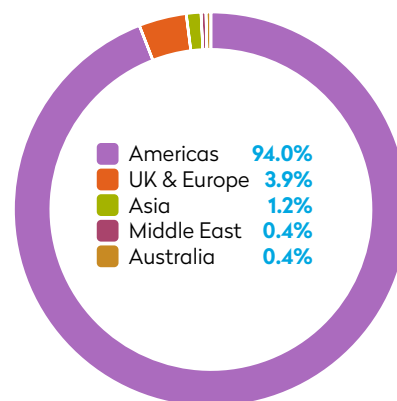
#### Assets by Region

(Assets Under Management)



#### Clients by Region

(Number of Accounts)



### Investment Time Horizon

Much of our client base is institutional, and our exposure to retail clients is typically via sub-advisory relationships, as such, Mondrian's investment time horizon is long-term (5-10 years) in line with the perceived long-term liabilities/time horizons of our clients. Again, as a global, long-term value-oriented investment manager, our focus is on generating alpha for our clients and providing a rate of return meaningfully greater than our clients' domestic rate of inflation with strategies that seek to preserve capital during protracted market declines. In pursuit of these investment benefits, Mondrian employs a long-term, fundamental approach to research.

## Equity Approach

The principal focus of our equity investment professionals is constructing long-term forecasts for future cash flows to the investor, which are primarily dividends, utilising our dividend discount methodology, which analyses securities over the short (1-5 Years), medium (6-10 Years), and long-term (11-50 Years). Our aim is to ensure that management are focused on enhancing shareholder value on a medium to long-term basis.

## Fixed Income Approach

Our disciplined value approach aims to exploit pricing inefficiencies in global capital markets. The approach aims to offer clients higher long-term real returns with attractive risk characteristics. We are constantly monitoring individual securities, markets and asset classes to compare their valuations and highlight any important pricing discrepancies. In particular, our long-term horizon enables us to identify value which many of our shorter-term competitors would ignore.

## Client Alignment

Before establishing a client relationship, there are typically multiple highly detailed communications to establish the suitability of our investment philosophy and process to the needs of the prospect. Typically, we would complete granular Requests for Proposals prior to presenting our strategy for the mandate opportunity. Only asset owners with aligned time horizons would ultimately become clients. During the on-boarding process, these parameters are articulated in investment guidelines and programmed into our compliance monitoring system.

To help evaluate the continued alignment of our ESG approach and stewardship practices with our clients' needs, our periodic client reviews include senior investment team members together with our client services team, who frequently engage with clients on matters related to performance, including client objectives. At times, the outcomes of these reviews do get reflected in individual investment management agreements where necessary. We have regular dialogue with clients and encourage communication of any changing needs.

## Bespoke Stewardship Policies

As detailed in Principle 3, to the extent that separate account clients have bespoke stewardship policies, we are able to incorporate that within our process specifically for the client's portfolio. Regular client communication helps us understand the evolving needs of our client base.

## Stewardship Reporting

### Clients, Third-Party Databases, Principles for Responsible Investment

Mondrian provides stewardship reporting as required by regulations, as well as by clients, consultants, and prospects, and third-party databases and initiatives such as the PRI. We encourage feedback on our stewardship reporting to ensure the reporting is clear and understandable and meets the needs of underlying beneficiaries.

Depending on the specific client's reporting needs, stewardship information provided may include proxy voting statistics, details on votes considered to be significant by the client and/or Mondrian, ESG topics discussed, and engagement examples for the relevant reporting period. The frequency and structure of reporting is determined by our clients, and where a reporting template has not been provided, Mondrian works with the client to determine the information needed to ensure the client is able to fulfil their stewardship reporting requirements for their underlying beneficiaries.

We report to clients monthly or quarterly with results of investment performance and any other preferred portfolio metrics and meet with clients at their preferred frequency – typically quarterly or annually. Ultimately, we are always available to our clients, and they have access to the investment professionals making the decisions (including conducting ESG analysis and stewardship activities) for their portfolios.

Mondrian offers a range of institutional investment vehicles, including separate accounts, limited partnerships, collective funds, US mutual funds and UCITS. As our pooled vehicle investors are subject to the guidelines of the pooled vehicle, Mondrian does not manage pooled vehicle client assets in alignment with the underlying clients' stewardship and investment policies.

Mondrian aims to provide up to date information for third-party databases such as eVestment and will include stewardship reporting as part of its regular update process. The stewardship data requested varies by database, but often includes proxy voting statistics and engagement details. As a PRI signatory, Mondrian publicly reports on its stewardship activities, including proxy voting and engagement statistics and examples on an annual basis through the PRI reporting platform.

## Regulatory Requirements

Mondrian, as a U.K. domiciled investment manager, is subject to the Shareholder Rights Directive II (“SRDII”). Our disclosure document seeks to provide transparency to investors in relation to Mondrian’s voting behaviour and the impacts of engagements with companies on our voting behaviour as well as meeting our regulatory requirements to disclose to investors on an annual basis how Mondrian’s engagement policy has been implemented.

Please refer to Principle 12 for proxy voting reporting.

## Evolution of Stewardship Reporting

Over the period we experienced more asset owner and consultant requests for stewardship reporting, with an increasing focus in particular on proxy voting activities. As a result, we are in the process of standardising stewardship reporting templates for clients that would like this data and look forward to industry initiatives to standardise proxy voting reporting, helping to make it more comparable and useful for our clients. We are also looking to increase the frequency of our public proxy voting reports beginning in 2023.

# Principle 7

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities

## ESG Integration

Our equity and fixed income teams share an investment philosophy that recognises the importance of financially material ESG issues in the long-term valuation of a company's equity and credit. Mondrian has always believed it is the responsibility of all investment professionals to understand and incorporate the impact of environmental, social and governance factors on our present and potential investments, and their long-term profitability. Stewardship considerations are part of the initial purchase decision, subsequent monitoring of an investment and any ongoing dialogue with an investee company, including active participation through our proxy voting process for equity strategies. Our aim is to ensure that management are focused on enhancing shareholder value on a medium to long-term basis.

## Equity Approach to ESG Integration

We believe that the forward-looking, long-term nature of our investment methodology (the DDM) lends itself to incorporating financially material ESG risks and opportunities into our analysis that are themselves often long-term in nature. By considering this broader range of issues that can impact a company, we are better positioned to assess a company's risk adjusted return.

The analysis of ESG factors in the equity valuation process is summarised in our proprietary ESG Summary Report and describes the quantitative impacts of ESG factors in our valuation models.

ESG Summary Report					
Summary					
		Univ.	Peer	Category	
				Environmental	
				Social	
				Governance	
Sources:					
ESG Issue Evaluation					
	ESG	Key Issue	Univ.	Peer	Analysis
Core Values	E				
	S				
	G				
Specific Factors					
Valuation Impact					
		Worst Case	Base Case	Best Case	
Short-Term					
Years 1 to 5					
Medium-Term					
Years 6 to 10					
Long-Term					
Years 11 to 50					

This report is structured in three parts:

1. **Summary:** This section provides a high-level overview of the most significant ESG risks and opportunities for the company being evaluated, which includes commentary regarding key ESG concerns as well as category scores derived from the ESG Issue Evaluation section.
2. **ESG Issue Evaluation:** This section is split in two; companies are analysed against a consistent set of core values (climate change, human capital, and corporate governance) that apply to all stocks across Mondrian, as well as a changing group of company-specific concerns, generally determined by the company's sub-industry. This two-part approach ensures a level of comparability across companies regardless of their business, and also emphasises the importance of looking at the risks and opportunities that are more specific to the company. The findings of this analysis are summarised using numerical scores. Using third party ESG research gives an understanding of the more peripheral ESG issues and a company's positioning relative to its peers, this helps constitute a 'completeness check' of financially material ESG issues affecting the company.

3. **Valuation Impact:** This section explicitly articulates the ESG risks and opportunities that have influenced the valuation, drawing out material findings from the ESG Issue Evaluation section. Financially material ESG risks and opportunities are expressed across the three scenarios we forecast for each stock in our valuation models: the base, best and worst cases. This section also outlines whether the ESG factor would play out over the short, medium or long-term, mirroring the first three stages of Mondrian's dividend discount model.

ESG risks and opportunities are reflected in the portfolio in so much as they affect the long-term valuations of the constituent companies and the conviction the team has in the ability of companies to achieve the projections that are embedded in our valuation scenarios.

As a long-term value manager Mondrian has always believed in carrying out analysis which captures all potential material risks and opportunities; understanding and integrating the impacts of ESG risks and opportunities has therefore consistently been part of our long-term modelling. The majority of our client base is institutional, and our exposure to retail clients is typically via sub-advisory relationships, as such, Mondrian's investment time horizon is long-term (5-10 years) in line with the perceived long-term liabilities/time horizons of our clients.

Though ESG concerns can manifest over short-term time horizons, it is clear that many increase in their impact on a company and its performance over much longer periods, perhaps extending years, even decades into the future. Such long-term effects can only be effectively captured in valuation analysis when the investment horizon and valuation methodology itself is sufficiently long enough to cover the relevant duration in question.

### ESG Factors and How They Are Considered in the Valuation Process

Some examples of ESG issues evaluated and how they are considered in the valuation process are provided below.

- **Energy:** We often use lower long-term growth rates when modelling companies involved with fossil fuels to reflect the risks of the transition to a lower carbon economy.
- **Utilities:** Explicitly forecast an estimated carbon price with lower emission power generation technologies benefitting over time as a result. The power mix also impacts the long-term growth rates applied, with higher longer-term growth expected for companies with a higher weighting towards cleaner power generation technologies notwithstanding the worst-case incorporating policy errors resulting in demand/supply mismatch.
- **Industrials:** Emissions and waste management present environmental risks, but increased energy efficiency and recycling can present cost saving opportunities.
- **IT & Telecommunications:** Data privacy presents a risk. Conversely, data centres can provide an opportunity to reduce the environmental costs of document storage.
- **Consumer:** Customers may pay a premium for products seen to be sustainably and ethically sourced. Conversely, issues in the supply chain can cause reputational damage.
- **Financials:** There is risk of reputational damage and regulatory fines from questionable ethical practice.
- **Health Care:** There is reputational risk to pharmaceutical companies around product safety, business ethics and product testing. Conversely, there may be opportunities in this sector for companies with strong and differentiated reputations for internal controls and ethical conduct.

### Stewardship in Equity

Mondrian's engagement process encompasses discussions on key financially material ESG factors and includes a focus on accountability which involves tracking a corporate's progress in meeting its business plan targets, including ESG related ambitions such as short- and long-term emissions reduction targets. Should a company held in our portfolio consistently disappoint in its deliverables, with implications to its long-term valuation, we will typically engage with its management and the board for both understanding as well as to steer change.

More details on engagement and proxy voting are provided in Principles 9 and 12.

### Activities and Outcomes

Over the course of 2022, financially material ESG topics were discussed in approximately three-quarters of equity-related meetings with current and prospective investment companies. Below are examples of ESG considerations impacting an investment decision over the reporting period.

#### **Company: HeidelbergCement**

**Background:** HeidelbergCement is a German multinational building materials company

**ESG Analysis:** In our view there is a compelling long-term value opportunity in this stock as market concerns around short-term energy prices and gas rationing in Europe have depressed the share price well below our estimate of intrinsic value. Heidelberg is well diversified geographically and prospects for infrastructure spending should support the outlook for cement demand. They have announced industry-leading targets in relation to reducing the CO2 intensity of cement through different initiatives (including carbon capture/storage, switching to alternative fuels, using more recycled materials). These measures will protect the company from rising carbon costs and potentially yield a commercial advantage by differentiating the end-product. Furthermore, the energy transition is likely to require a significant amount of cement, particularly for growing wind power generation capacity.

#### Outcome

We initiated a position in HeidelbergCement in 2022.

#### Company: Snam

**Background:** Snam is an Italian regulated utility focusing on the domestic gas transmission infrastructure

**ESG Analysis:** As a result of the company's focus on the Italian domestic gas transmission infrastructure, the group's long-term earnings trajectory is significantly affected by the energy transition, and the role both natural gas and green gases (such as hydrogen) are likely to play in the overall energy mix. To achieve decarbonisation targets, there are two main pathways: fully electrifying the economy or using a mixture of electrification and green gases, depending on the end use. In terms of the two pathways, the main argument for using a mixture of electrification and green gases is efficiency and cost. Green gases have a structural advantage versus electricity due to their inter-season storability, increasing efficiency. In addition, certain sectors of the economy are very expensive and difficult to electrify, and the additional costs of strengthening and reconfiguring electricity networks would be formidable in a full electrification scenario.

As a result, our view is that Europe will either fail to meet climate-related targets or will meet them via a mix of electrification and green gases. In the former case, natural gas volumes will not see significant shrinkage. In the latter case, volumes transported might even increase, providing upside compared to the status quo scenario.

#### Outcome

Overall, we believe Snam's network utilisation is well-underpinned in both scenarios, and stranded asset risk for the company is very low. This is particularly supportive of the worst-case valuation and, in our view, results in a narrow range of outcomes for the stock with a positive skew.

#### Company: Shell

**Background:** Shell is a global energy company

**ESG Analysis:** While we continue to have conviction in the long-term value of Shell and other energy holdings in the portfolio, the spike in oil prices as a result of the war in Ukraine and subsequent sanctions on Russia provided a period of excess cash returns for oil companies. We believe due to the long-term need to transition away from fossil fuels, demand for oil is structurally challenged, and hence the >\$100 oil prices were unsustainable.

#### Outcome

In 2022 we trimmed our position in Shell, opting to take some profits from Shell's strong performance and reinvest into other portfolio holdings which offered more compelling risk-adjusted returns.

#### Company: Laboratory Corporation of America

**Background:** Laboratory Corporation of America is a global life sciences company that provides comprehensive clinical laboratory and end-to-end drug development services. It operates through its LabCorp Diagnostics and Covance Drug Development segments. LabCorp Diagnostics includes core lab testing and genomic and esoteric testing. Covance Drug Development is a global contract research organisation ("CRO") offering a full suite of non-clinical, clinical and commercialisation services to companies in the pharmaceutical and biotechnology industries.

**ESG Analysis:** A number of ESG-related factors positively impacted the investment case, in particular in relation to the company's social opportunities in global healthcare.

As one of the world's leading life sciences companies, LabCorp was deeply focused on every aspect of the US response to COVID-19, responding to the numerous needs related to the pandemic, including access to PCR testing as well as developing the ability to detect and track new COVID-19 variants and increase the use of lifesaving COVID-19 treatment options such as antiviral therapies. As the world recovers from the worst of the pandemic, LabCorp continues to play an important role in global health. By delivering world-class diagnostic solutions – including bringing innovative medicines to patients faster and using technology to improve the delivery of care – LabCorp believes that it can create meaningful long-term value.

#### Outcome

We initiated a position in the company in 2022.

#### Company: Yum China

**Background:** Yum China was spun out from its parent company Yum! Brands in 2016 and is the sole operator of the KFC and Pizza Hut franchises in mainland China.

**ESG Analysis:** Having operated in China since 1987, Yum has built a long-established relationship with the Chinese consumer and a market leading store footprint that still offers significant scope to expand. In a country where state owned enterprises form a significant portion of the economy, Yum is privately owned, with a history of appointing strong management teams who are highly incentivised to maximise shareholder returns and who have proven to be highly adaptable and innovative. We believe that these and other aspects of Yum's governance practices set it apart from most other Chinese consumer staples stocks. Although sales have continued to be impacted by Covid-19 shutdowns during 2022, we believe the financial and operational strength of the business will allow them to manage this disruption in the short-term. Meanwhile the support offered to staff during this time should help in maintaining strong engagement with and retention of its employee base. Yum China is attractive to us on a long-term basis given its net cash and zero debt balance sheet with sustainable positive free cash flow.

#### Outcome

We initiated a position in restaurant operator Yum China in early 2022. Share price weakness prior to our initiation presented us with a value opportunity to add a name with attractive long-term prospects. This position was then meaningfully reduced later during the fourth quarter as the stock price moved closer to our fair value, shifting the balance between risk and reward.

#### Company: HKBN, Hong Kong

**Background:** HKBN is a leading residential broadband provider in Hong Kong, with a strong market position offering high-speed broadband at competitive prices. The company is the number two player in a near duopolistic market for residential broadband and had clearly stated its intentions to eke out small price increases among residential customers to sustain this "cash cow" business.

**ESG Analysis:** In summer 2022, the company unexpectedly cut its residential broadband prices by 40% for new customers, in an effort to take further market share. This move was contrary to our understanding of the business model and seemed imprudent given the strength of the number one player, who could (and did) respond with a price war.

As we engaged with the company about this, we discovered that the CFO of HKBN had left the business unexpectedly, with no detailed plans for a successor. Later in the same year, the CEO left the business for a brief period of leave for personal reasons. This came at an unfortunate time given the weaker operational results and the lack of full-time replacement CFO after his departure during the summer.

#### Outcome

After consideration of these developments, including the deteriorating competitive position and the unexpected departure of the CFO, we decided to sell our holding in HKBN in favour of alternative names.

#### Company: Shanghai Weaver ("Weaver")

**Background:** Weaver is the largest provider of office automation (OA) software in China, servicing large domestic enterprises.

**ESG Analysis:** In April 2022, Weaver's auditor published a concern around the company's internal controls and failings to appropriately disclose past connected party transactions which subsequently resulted in a probe from Shanghai Stock Exchange ("SSE"). Mondrian immediately engaged with Weaver's management following the announcement.

During the engagement, we learned the transactions under question were relatively minor and did not cause material loss of shareholder value. Further, Weaver assured us they were taking appropriate and timely measures to address SSE's concerns.

Our evaluation of the situation indicated that internal control failings resulted from negligence and oversight and was not intentional. The management was open, cooperative, and timely in their communication with us.

#### Outcome

We retained our strong conviction on Weaver's sound business model and their long-term growth opportunities within the domestic market. However, given the de-risking market environment at that time, we decided to exit the position whilst the company takes appropriate actions to rectify its internal control issues and gains back investor confidence.

## Fixed Income Approach to ESG Integration

Mondrian invests in bond markets that best compensate for inflation and sovereign credit risks, measured by a market's PRY. We define PRY as the 10-year government bond yield less Mondrian's inflation forecast and sovereign credit adjustment.

Our approach to the integration of financially material ESG considerations in the fixed income investment process is consistent for both sovereigns and corporate credits in the explicit incorporation of ESG factors into an issuer's proprietary credit rating.



## Sovereign Credit Approach

Sovereign credit analysis is an integral part of our top-down investment process. This analysis includes environmental, social and governance issues, which ultimately inform our sovereign credit adjustment. The weaker the overall credit assessment, the higher the sovereign credit adjustment, resulting in a greater PRY premium required to drive an allocation.

Financially material ESG considerations are an important part of our assessment of sovereign creditworthiness which feeds into our valuation process. Good governance, the rule of law, unambiguous property rights and the control of corruption are fundamental pre-requisites for sustainable growth and development which support a government's ability to service its financial obligations. To quantify these factors, we primarily reference Haver Analytics' ESG module, which provides ESG data from a number of national, intergovernmental and other sources, which are principally used in our assessment of sovereign credit adjustments.

The four analytical profiles for each sovereign (domestic economy, external sector, ESG and fiscal) contains several sub-factors. The sub-factors and weights may evolve over time to reflect data availability and our judgement of relative importance but at any point in time the four pillars of sovereign strength are consistently applied across all countries. Please see below regarding ESG sovereign credit adjustments.

## Environmental, Social and Governance Profile

Environmental, Social and Governance factors are considered separately. Since there is some overlap between environmental and social factors the three factors are weighted as follows in the overall ESG assessment: Environmental (25%), Social (25%) and Governance (50%).

## Environmental Factors

Environmental risks are both long term and short term in nature and encompass both sustainability and adaptability:

- Sustainability: protection and maintenance of the environment for the wellbeing of future generations is essential for the long run viability of the economy activity that supports the sovereign.
- Adaptability: in the shorter term, undiversified economies based on commodities, agriculture or tourism are prone to environment-related shocks, such as flooding and storm damage that can place additional burdens on the sovereign balance sheet.

In order to assess sustainability, we use an Environmental Performance Index, produced by the Yale Center for Environmental Law & Policy. This is used to ascertain how close a country is to established environmental policy goals by considering 24 indicators within 10 issue categories that are closely aligned to the UN Sustainable Development Goals. These are outcomes that are amenable to policy inputs.

The index recognises that there is a fundamental trade-off between:

- Environmental health - measures threats to human health; improves with prosperity
- Ecosystem vitality - measures natural resources and ecosystem services; comes under strain as countries strive for prosperity

Good environmental policy is the critical element that balances the two.

Within environmental health, air quality remains the leading threat. In 2016 the Institute for Health Metrics and Evaluation estimated that diseases related to airborne pollutants (particulate matter < 2.5 micrometers in diameter or PM2.5) contributed to two-thirds of all life-years lost to environmentally related deaths and disabilities. Pollution is particularly severe in places such as India and China, where greater levels of economic development contribute to higher pollution levels.

For adaptability, we use the ND-Global Adaptation Index ("ND-Gain"), produced annually by Notre-Dame Global Adaptation Initiative. This index reflects a country's vulnerability to climate change and other environmental challenges in combination with its readiness to improve resilience.

## Social Factors

Here, we use the Social Progress Indicator published annually by the Social Progress Imperative. The Social Progress Indicator covers:

- Basic Human Needs: nutrition; water; shelter; safety
- Foundations of Wellbeing: health; environmental quality
- Opportunity: personal freedom; inclusivity

There is some overlap here with environmental factors – environmental factors such as water and sanitation are basic needs of society. We also consider the Corruption Perceptions Index produced by Transparency International. In addition, we consider income inequality using a country's Gini Coefficient.

## Governance Factors

Good institutions – e.g., the rule of law, unambiguous property rights, efficient tax collection, public good provision and control of corruption – are fundamental prerequisites for sustained productivity-driven economic growth and development.

Historically, many sovereign defaults can be attributed to weak institutional and political arrangements which affect a country's willingness to service debt and can occur even at low debt/GDP levels.

Institutional and Political development is measured along three dimensions:

- Strength of the state
- Rule of law
- Accountability and corruption

Corruption is a particularly invidious problem that inhibits the productive allocation of resources, depletes social capital ('trust') and tends to exacerbate inequality.

To quantify these, we use the World Bank Governance measures. We also consider the World Banks' "Ease of Doing Business" rankings which rank economies according to their business environment.

## Corporate Credit Approach

Corporate credit analysis explicitly incorporates a proprietary environmental, social and governance rating. This contributes to our corporate credit rating for each issuer which in turn directly impacts how much of that issuer's debt can be held across our portfolios according to our issuer diversification limits.

All corporate bond issuers undergo a corporate credit analysis before being placed on our buy list. Following on from that, they also undergo additional corporate credit analyses on a periodic basis as part of our ongoing monitoring process. We assign an ESG rating, based on a scale similar to that of S&P's (i.e., AAA is 'well above average', BBB is 'average' and BB and below is 'well below average').

A credit must achieve a satisfactory ESG rating during our internal ESG review before it will be considered to be included on our buy list as Mondrian believes that these factors could materially impact a business, its credit rating, and in extreme cases, its ability to repay lenders. The criteria for the rating are as follows:

- We consider the social impact of the individual company's activities and the strength of the active ESG policies the company is pursuing.
- We consider the governance of a particular company. Where we have concerns around a company, particularly regarding board or corporate structure, we will not invest in that company.
- We consider the environmental policies of a particular company and adjust our internal rating accordingly.

Meeting with company management is an integral part of Mondrian's due diligence and ongoing monitoring process. This is an ideal forum for direct engagement on areas where Mondrian has identified specific concerns, including those related to ESG issues. The close working relationship with Mondrian's equity teams is a direct benefit as they meet regularly with company representatives.

## Stewardship in Fixed Income

There is a long-held belief that engagement is the domain and responsibility of equity holders and fixed income investors cannot engage or do not have the tools to engage effectively with issuers. However, Mondrian has always believed that engagement is integral to the investment process on both the corporate and sovereign side as our analysts meet with debt issuers as a matter of course to further our understanding and highlight issues of importance.

More details on engagement are provided in Principle 9.

## Activities and Outcomes

Over the course of 2022, financially material ESG topics were discussed in over 90% of fixed income-related meetings with current and prospective issuers. Below are examples of ESG considerations impacting an investment decision over the reporting period.

### Sovereign Bonds

Mondrian's integration of ESG factors in our sovereign bond investment process, one of the key elements of our sovereign credit adjustment, is demonstrated in the following case study, which provides the ESG assessments for Spain and Hungary. It sets out a summary of some of key underlying data that feeds in to our overall ESG assessment for each country.

## Mondrian Sovereign ESG Profile Summary

Spain

## Overall ESG Assessment

Good

S&P	A-/Stable	Mondrian Model Rating	A-
Moody's	Baa1/Stable		
Fitch	A-/Stable		

\*where there is a difference, hard currency rating shown in brackets

## Environmental Profile

Good

Environmental Performance Index	74.3
Environmental Health	86.8
Ecosystem Health	66
Notre Dame - Global Adaptation Index	61.82

## Social Profile

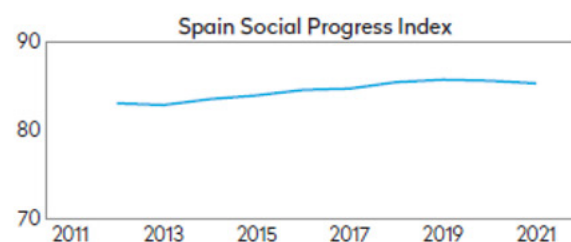
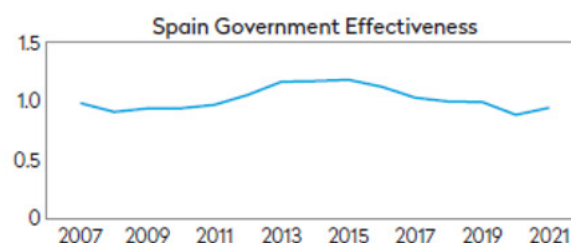
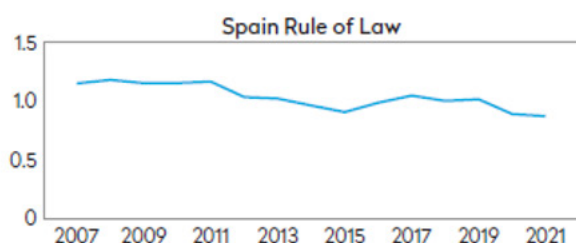
Good

	Spain	A Average
UN Human Development Index	0.91	0.87
Social Progress Index	85.35	79.64
Transparency International Corruption Perceptions	61.0	57.25
Political Rights (1= High; 7 = Low)	1.0	2.4
Civil Liberties (1 = High' 7 = Low)	1.0	2.5
Gini Coefficient (Income inequality)	34.3	34.2

## Governance Profile

Good

World Wide Governance Indicators:		A Average
Government Effectiveness	0.95	0.88
Rule of Law	0.88	0.87
Control of Corruption	0.74	0.65
Political Stability	0.58	0.57



## Mondrian Sovereign ESG Profile Summary

Hungary

## Overall ESG Assessment

Good

S&P	BBB/Neg	Mondrian Model Rating	BBB-
Moody's	Baa2/Stable		
Fitch	BBB/Stable		

\*where there is a difference, hard currency rating shown in brackets

## Environmental Profile

Good

Environmental Performance Index	63.7
Environmental Health	54.1
Ecosystem Health	70
Notre Dame - Global Adaptation Index	56.36

## Social Profile

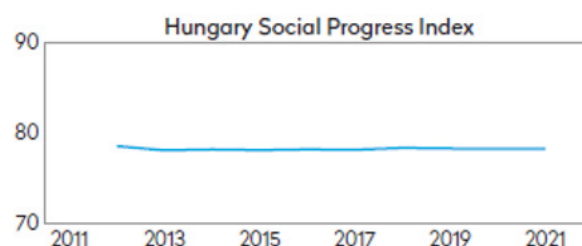
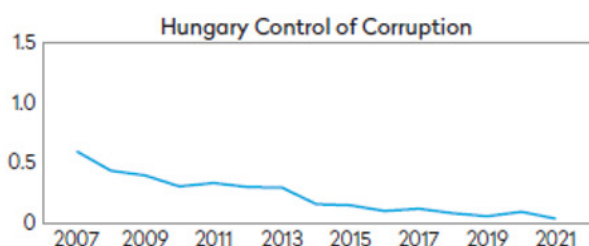
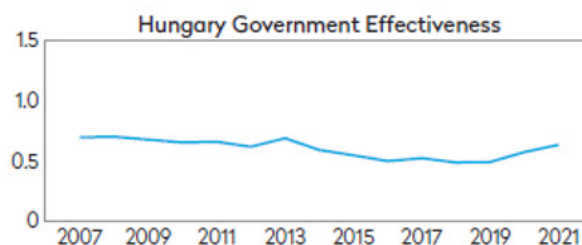
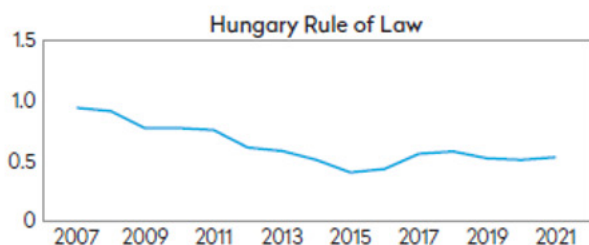
Good

	Hungary	BBB Average
UN Human Development Index	0.91	0.79
Social Progress Index	85.35	74.13
Transparency International Corruption Perceptions	61.0	44.50
Political Rights (1= High; 7 = Low)	1.0	2.6
Civil Liberties (1 = High' 7 = Low)	1.0	2.7
Gini Coefficient (Income inequality)	34.3	38.8

## Governance Profile

Good

World Wide Governance Indicators:		BBB Average
Government Effectiveness	0.63	0.27
Rule of Law	0.53	0.04
Control of Corruption	0.04	-0.24
Political Stability	0.86	0.36



Source: Mondrian Investment Partners, Yale Center for Environmental Law & Policy, Notre Dame Global Adaptation Initiative, United Nations Development Program, Social Progress Imperative, Transparency International, World Bank

## Corporate Bonds

### Company: Oracle

Topic: Credit risk – Governance (Shareholder Remuneration Policy, Financial Policy)

Description: Oracle Corporation is an American multinational computer technology company held in our Global Aggregate Bond strategy.

Over the last few years and entering 2022, Oracle's shareholder remuneration policy and lack of clarity over its balance sheet management has been concerning. Large amounts of cash flow was being released to shareholders and management were effectively receiving large compensation levels through share ownership and awards. The balance sheet was being loaded with debt and deteriorating year on year. Whilst we still rated the underlying business as exceptionally strong, we became increasingly concerned with the effect of financial policy and certainly the strategy around dividends and share buybacks. We downgraded Oracle several times, including in 2022, to reflect our concerns over its governance structures in this regard, with its internal credit rating most recently being downgraded to a BBB.

### Outcome

Oracle's bonds underperformed in 2022 both relative to its credit rating and to its sector peer group, providing an opportunity to add to the holding on valuation signals. Whilst we increased exposure to Oracle given the valuation signals on the bonds, this was significantly limited due to our internal Oracle credit rating downgrade to the BBB level. Increased exposure to Oracle was constrained due to the negative effect of our governance analysis against the issuer level credit rating.

# Principle 8

## Signatories monitor and hold to account managers and/or service providers

As detailed previously in this report, Mondrian conducts its own investment research, engagement, and for equity securities makes its own proxy voting decisions. While we do not outsource such investment activities, we do reference external ESG data / research providers and proxy advisers to support our investment process. Investment decisions do not rely solely on a specific ESG factor or inputs from external ESG or stewardship research providers; third party resources are used as a completeness check. Analysts are expected to use external reports, including MSCI ESG research, to supplement their own findings and understanding of a company and are agnostic of MSCI's applied grades. To challenge or disagree with MSCI's ESG conclusions and gradings and proxy adviser recommendations is part of Mondrian's value-add in the investment process.

## Vendor Management

Mondrian has adopted a decentralised approach to vendor management whereby the first-line users primarily own the oversight of the relationship. Involving end-users in the vendor management process allows Mondrian to better assess the impact of service quality issues. This is particularly important for specific vendors whose risk profile can change as the business or operating environment evolves.

Mondrian's ESG Investment Steering Committee is responsible for ensuring that our resources and investment staff are capable of meeting ongoing developments associated with the continually evolving ESG space, helping to support our investment teams in their ESG analysis and stewardship practices.

## Service Provider Use

Each Business Manager is tasked with monitoring vendors delivery of service. Mondrian also maintains a Vendor Oversight Matrix as part of its Risk Management process. This is included as part of the Risk Management reporting that is assessed by the Compliance and Risk Committee and the Board of Directors. Third-party vendors are risk-rated and significant relationships are reviewed on a regular basis based on this matrix. Part of this review generally includes a review of the vendor's internal controls and financial position and in some cases a visit to the vendor with discussions held with management. Examples of this include but are not limited to custodians or vendors of hosted software.

Due diligence may be prompted as a result of a vendor:

- Disposing of part of the business, whether through a carve-out of business units or by the sale of existing entities.
- Restructuring or re-focusing its activities.
- Repositioning a core business product, resulting in reduced support or lack of further investment.
- Having deteriorated financial positioning.

## Modern Slavery Monitoring

As a financial services entity providing services to institutional clients, the risk of encountering modern slavery through Mondrian's business operations is low. Nevertheless, Mondrian is fully committed to preventing slavery and human trafficking in its corporate activities, and to ensure that its supply chain is free from slavery and human trafficking. Mondrian is committed to respecting human rights in all aspects of its operations and external business interactions.

## Addressing Modern Slavery and Human Trafficking – Supply Chain

As stated, Mondrian is committed to respecting human rights in all aspects of its operations and external business interactions. Mondrian prohibits, and expects all suppliers, to prohibit the use of forced, compulsory or trafficked labour of adults or children, held in slavery and/or servitude. Whilst we acknowledge the potential risk due to increasingly complex and multifaceted globalised supply chains, Mondrian does not act as a producer, manufacturer, or retailer of any physical goods and has a straightforward supply chain. Mondrian's primary suppliers include information and data technology specialists, professional services firms (tax, accounting, law), custodians and fund administrators. Mondrian does not outsource any of its core services (including, but not limited to, asset selection, trading, settlement, administration).

Suppliers that are engaged by Mondrian are professional service organisations, having minimal contact with countries and sectors that are generally considered to have a risk of modern slavery. Mondrian chooses suppliers who are leaders in their industry and aims to create long-standing relationships. Mondrian aims to work in collaboration with suppliers to ensure that their business actions align with Mondrian's Modern Slavery and Human Trafficking Statement. Accordingly, Mondrian provides its Modern Slavery and Human Trafficking Statement to its suppliers to ensure that they are made aware of Mondrian's commitment to preventing modern slavery and human trafficking in its own business and through its supply chain.

As a result of the nature of Mondrian's business, the locations in which it operates, the limited range of Mondrian's supply chain and the choice of suppliers, Mondrian faces a low risk of involvement with modern slavery through its business and supply chains.

Mondrian's supplier due diligence:

- Requires suppliers to provide their Modern Slavery Act Statement or equivalent information during Mondrian's due diligence process.
- Reviews the information provided by the supplier, taking into consideration the region of operation and the goods and services to be provided by the supplier to assess risk of modern slavery and to ensure it conforms to fair employment practices.
- Provides Mondrian's Modern Slavery and Human Trafficking Statement to ensure that the supplier is aware of Mondrian's requirements with regard to modern slavery and human trafficking.
- Oversees all suppliers continuously, with updated due diligence reviews and annual risk assessments of core and critical suppliers.

Mondrian would re-evaluate whether to continue an engagement with any supplier that does not carry out its business in alignment with Mondrian's Modern Slavery and Human Trafficking Statement.

More details regarding our vendor management practices and oversight are available in Mondrian's Vendor Management Policy.

## Examples of Service Provider Monitoring Related to Investment and Stewardship

### ESG Research Service Providers

The majority of ESG inputs for Mondrian's fundamental research process are obtained by the analysts themselves through proprietary research and meetings with company management and boards. Alongside quantitative data sources, company produced documents such as annual reports and broker research, Mondrian uses the following third-party providers to assist in our evaluation of financially material ESG risks and opportunities. Our portfolio ESG analysis occurs at the fundamental level, and while we reference third-party ESG research, we are not dependent on third-party ESG scores or ratings.



### Activities and Outcomes

Mondrian does not rely solely on the data provided by ESG data vendors for investment decisions. If data is missing from data feeds or deemed inaccurate, we aim to highlight these issues to the data provider to correct. Mondrian engaged with our ESG data providers multiple times in 2022 regarding data quality and data feed issues. We continue to review our service providers and work with them on data quality and coverage.

### Proxy Advisers

As detailed in Principle 12, Mondrian does not have a default voting position. Each motion is reviewed and instructed by a portfolio manager from the investment team responsible for research coverage of that stock. Mondrian contracts with Institutional Shareholder Services ("ISS") for the provision of voting advice and to facilitate the process of voting proxies.



Prior to the appointment and contract renewal with our proxy voting adviser, Mondrian conducts a due diligence process review continuously assessing the proxy adviser in its capacity to provide proxy voting services, addressing any concerns as they arise and where necessary, escalating these concerns to the Proxy Voting Committee.

Mondrian's due diligence procedures considers factors including, but not limited to, the adviser's capacity and competency to adequately discharge contracted services, disclosure on methods for formulating voting recommendations, procedures to identify and correct material deficiencies and provide updates regarding its methodologies, guidelines, and voting recommendations on an ongoing basis, including relevant business changes. Any material inaccuracies, methodological weakness, potential factual errors, and deficiencies in the Proxy Voting Advisers' advice will be addressed to them at the time, during periodic service reviews and escalated to the Committee as part of its performance evaluation.

Please refer to Principle 12 and Mondrian's Proxy Voting Policy and Procedures for further details.

### Activities and Outcomes

In 2022 Mondrian began complementing our proxy adviser's recommendations with that of a separate proxy adviser where analysts or our Proxy Voting Committee deemed more guidance was needed for proposal voting decisions. Principle 12 provides some examples of votes against our proxy adviser's recommendations during the period.

### Ongoing Reviews

We periodically review marketplace offerings for ESG research and data service providers to ensure our needs are being well met, however ESG data quality and coverage remains a challenge. We note that more open source ESG data is becoming available, for example, through the Science Based Targets Initiative or the Transition Pathway Initiative; also, corporates are beginning to disclose data more consistently and in line with global reporting standards such as SASB. We are looking at ways to potentially incorporate such data into our systems for investment team reference.

# Principle 9 - Engagement

Signatories engage with issuers to maintain or enhance the value of assets

## Mondrian Equity Engagement

Mondrian engages with company management. When our views, particularly regarding governance, differ with that of the company or where there is a failure to achieve our reasonable expectations for shareholder return, we will more actively discuss this with said management team.

As part of Mondrian's research process, our analysts are expected to gain a strong understanding of the quality of management and board-level oversight. We meet regularly with senior management of investee companies, and our scale generally grants us access to company board members. Typically, our engagements happen directly with companies via one-to-one meetings, we also use written communication such as emails and letters where necessary. Local practice and governance are taken into account when voting shares or engaging with the management of companies particularly in less developed markets, and actions are taken on a case-by-case basis. We prioritise engagement where we feel there is a material misalignment between company practice and long-term shareholder value.

To support their analysis, at meetings with management our analysts will discuss:

1. The current and long-term outlook for the business
2. The risks to that outlook and the company's business
3. The company's future business strategy
4. Governance policies and structures that support or hinder our confidence in the future outlook

The latter will potentially include a discussion of governance policies, corporate structure, management and board experience and composition, remuneration policies, board oversight policies and procedures as well as policies on shareholder returns. To the extent that issues such as climate change, carbon emissions, human capital concerns and energy usage have been identified as potentially financially material risk factors to consider in evaluating the investment case of a particular company, our analysts will conduct further investigation into the extent of these risks as well as risk mitigation. The findings from this questioning and disclosure will be incorporated into our overall investment evaluation of the company and highlighted in the ESG Summary Report. Our engagement practices across equity strategies are consistent and utilise various stewardship levers as appropriate.

## Escalation

Where we feel that long-term shareholder interests are not being protected, we will typically engage the company formally at the senior management or board level to communicate our concerns and recommend remedial actions. When our views, particularly regarding governance, differ with that of the company or where there is a failure to achieve our reasonable expectations for shareholder return, we will more actively discuss this with the investee company's management team or vote proxies against management. Should engagement continue to prove unsuccessful in fulfilling the required objectives, Mondrian may choose to divest the shares.

### Engagement Framework



## Activities and Outcomes

Over the 2022 calendar year, Mondrian equity analysts participated in over 1,500 meetings with companies. We aim to meet with all companies in the portfolio at least once. Most of these meetings were to further our understanding of the research company's practices and were with companies not held in portfolios.

## Breakdown of Engagement Types

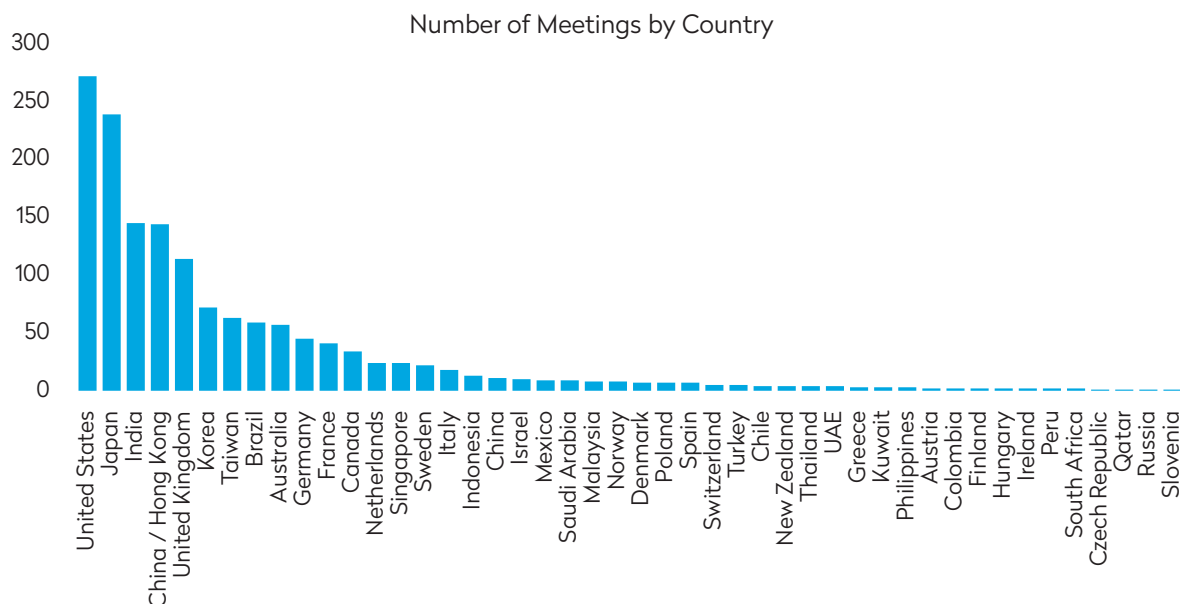
For Understanding	For Change	For Both Understanding and Chance
97%	1%	2%

## ESG-related topics Discussed

Issue	Topic	Number of Times Discussed
Environmental	Climate Change	232
	Natural Capital	75
	Pollution and Waste	198
	Green Opportunities	376
	Other Environmental	96
Social	Labour	349
	Supply Chain	393
	Product Safety and Security	152
	Social Opportunities	64
	Diversity and Inclusion	65
Governance	Other Social	168
	Board Composition	248
	Remuneration	99
	Ownership	257
	Accounting	223
	Other Governance	365

Please note that multiple items could be discussed in the same meeting.

## Number of Meetings by Company Domicile



## Engagement for Understanding Examples

**Company: Jardine Matheson****Topic: Environmental**

**Background:** Jardine Matheson is a Hong Kong-based Bermuda-domiciled British multinational conglomerate.

**Objective:** To understand the implications of the company's first ever sustainability report as it will likely impact capital allocation strategy going forward regarding the scaling up of investments in renewable energy and the scaling back of investments in new thermal and metallurgical coal mines.

**Activity**

We engaged with Jardine Matheson's Head of Corporate Affairs and Sustainability in 2022. We subsequently met with the Group Chair, Ben Keswick, where governance was discussed in more detail.

**Outcome**

These engagements helped us understand the implications of the company's sustainability report on capital allocation and governance practices.

**Company: Tesco**

Topic: Social

Background: Tesco is a British multinational grocery and general merchandise retailer.

Objective: To explain to the company which ESG factors we consider to be financially material to the company's valuation, and where we like to see good levels of disclosure.

**Activity**

Alex Simcox participated in a 2022 Tesco Corporate Responsibility Committee meeting. Amongst other factors, we highlighted the importance of the supply chain from a social risk perspective. Tesco has strong ESG credentials and rigorous control of its supply chain through a strict audit process.

**Outcome**

The company found it useful to understand our position, and we benefitted from a deeper understanding of Tesco's approach to managing ESG risks and opportunities.

**Company: Two Timberland REITs - Rayonier and PotlatchDeltic**

Topic: Environmental

Background: Rayonier Inc, headquartered in Florida and PotlatchDeltic, headquartered in Washington, are US-based timberland real estate investment trusts.

Objective: To better understand the climate related opportunities for these businesses. As timberland REITs the companies are active in the purchase and sale of timberland, an asset that is increasingly in favour with the investment community, as well the harvesting of timber and other value-added activities.

**Activity**

In 2022 Mondrian met with the CEO of Rayonier and separately with the CEO and CFO of PotlatchDeltic, two US-based timberland real estate investment trusts. The meetings helped us to understand the new business opportunity for these companies to sell regulated carbon credits to customers looking to offset their carbon emissions. Climate credits are only part of the solution to reaching net zero but one both Rayonier and PotlatchDeltic are well placed to benefit from, especially given this opportunity is incremental to their core businesses and the land used to underwrite these credits is typically more costly to harvest. The two companies only have mediocre MSCI ESG scores but are working to improve them, specifically in areas like workplace safety and by reducing their Scope 1 and 2 emissions. One limitation of MSCI's approach is the peer comparison: Rayonier and PotlatchDeltic's scores are normalized against only 11 other companies, all of which score very highly given the group has a number of green business opportunities available to them.

**Outcome**

We continue to monitor this potential investment opportunity.

**Company: Associated British Foods**

Topic: Social – Human Rights

Background: Associated British Foods is a British multinational food processing and retailing company.

Objective: To understand supply chain-related controversies that the company has faced historically, given that it has outsourced a significant portion of its manufacturing in developing countries and sometimes doesn't have full visibility on practices throughout the supply chain. We also sought to understand remedial actions related to this.

**Activity**

We had engaged with Associated British Foods in October 2021, in advance of taking a position in the company, to gain a better understanding of the supply chain-related controversies that the company has faced historically. We had been reassured by the company's focus on building a more equitable, ethical and sustainable supply chain and, in particular, its adoption of the United Nations Guiding Principles on Business and Human Rights ("UNGPs") and the requirement of its suppliers to implement these standards throughout their supply chains.

However, we recently became aware of a study produced by the Business & Human Rights Resource Centre, an international NGO that tracks the human rights impacts of companies, that highlighted that Primark (the Retail division of AB Foods) had material exposure to factories in Myanmar where incidents of abuse, including wage theft and sexual harassment, have increased as broader conflict and violence has worsened in the country since the military coup.

We engaged with AB Foods in November 2022 and were satisfied that the company has responded swiftly to the BHRRC report: the company launched investigations into the allegations as soon as they had been alerted to them; in all cases, remediation was put in place or has already been completed. Primark is currently working through the detail of what a responsible exit from Myanmar looks like in close collaboration with its partners and stakeholders, including IndustriALL, the global union, both in Myanmar and internationally, following the UN Guiding Principles on Business and Human Rights.

**Outcome**

It will take time for AB Foods to work through this process. In the meantime, Primark's Ethical Trade team on the ground will continue to monitor for compliance with its Code of Conduct – a condition of doing business with Primark. Primark has doubled its team in Yangon (formerly known as Rangoon) Myanmar, and it now has six people monitoring standards in the 25 supplier factories that make its products. The business' increased presence in Yangon is designed to give it further visibility over the fast-moving situation and it continues to explore what other measures it can put in place to further support workers, in partnership with social partners on the ground. We will continue to engage with AB Foods as the situation unfolds.

**Company: WH Group**

Topic: Social and Governance

Background: WH Group is a Chinese multinational meat and food processing company headquartered in Hong Kong.

Objective: To understand the scope of a Smithfield Foods settlement, the financial provisions made to date in the company's accounts, and whether there was a likelihood of further material provisions to come.

**Activity**

On Sept 27th, we saw news that Smithfield Foods, a wholly owned subsidiary of WH Group, an integrated fresh pork and packaged meat producer operating in China and the US on the portfolio, agreed to settle a lawsuit by paying USD75m to plaintiffs who accused the company and several competitors of conspiring to inflate prices in the US pork industry by limiting supply. Smithfield denied liability in agreeing to settle. Mondrian reached out directly via email to the Chief Financial Officer of Smithfield, Glenn Nunziata to clarify the scope of the settlement, the financial provisions made to date in the company's accounts, and whether there was a likelihood of further material provisions to come. The CFO confirmed that the company had provided for USD375m for all anti-trust matters from 2020 to date, and that three classes of settlements have been reached, with USD100m in accruals on the balance sheet that should be sufficient to cover future settlements remaining. Discussions and previous other engagements via email, phone calls, and video conference by Mondrian with senior executives highlighted management's view that they operate in a litigious environment in the US, particular as it relates to large meat producers. The multi-year long legal campaign in the US has seen other food producers such as Tyson and JBF also settle. Smithfield continues to deny wrong-doing but having weighed-up the cost of distraction to management, and further cost of protracted litigation, have chosen to settle the cases.

**Outcome**

Mondrian continues to monitor and engage with the company on environmental and social factors, as well as general governance and succession matters, which may impact the investment thesis of WH Group. However, given the very attractive valuation of WH Group, cash flow generation capacity and reasonable balance sheet, we believe the investment thesis remains strong. Subsequent to this news, the company announced on 4th October 2022 the sale of a seasoning business in the US for proceeds of USD587m which we consider to be positive in shareholder value creation.

**Company: CSPC**

Topic: Governance

Background: CSPC is a leading drug maker in China with a wide portfolio of drugs within therapeutic areas such as central nervous systems, oncology, and anti-infectives.

Objective: To understand the reason for retention of Deloitte as auditor when it had already served for nine years, giving rise to a potential conflict of interest.

**Activity**

Mondrian has regularly engaged with CSPC throughout the years that we have been shareholders and believe the company to be an attractive valued drug manufacturer, with R&D capabilities for new drug development, a strong sales force, and a focused management team aligned to shareholders. In the 2022 AGM Proxy vote, our proxy adviser recommended that investors vote against management's proposal item 4 to retain Deloitte as auditors, citing that Deloitte had already served for nine years, and that Deloitte had provided advisory services during the year, giving rise to a potential conflict of interest. Mondrian contacted the CFO and received detailed responses outlining that Covid restrictions in China meant that changing auditors would be difficult and disruptive for the company. That the company intended to change auditors when conditions allowed to do so and fully recognized that such a change is in keeping with good global practice. Additionally, the CFO clarified that the advisory fee was a one-off payment to evaluate the potential A-share listing of CSPC and would not recur. Finally, the CFO stated that the Deloitte partner in charge of the audit will be changed for the upcoming audit.

**Outcome**

In light of this engagement, Mondrian voted against our proxy adviser's recommendations to retain Deloitte as auditor given the Covid situation but emphasised to management that we would expect a transition to a new audit firm when conditions allowed and normalise. This AGM proposal passed.

**Company: Reliance Industries**

Topic: Environmental

Background: Reliance Industries is an Indian holding company. The company has long-established businesses in the oil refining and petrochemical sectors, but in more recent years the company has focused on developing businesses in telecoms and retail, where it is now the largest player in India in both fields. While these are attractive and valuable businesses in their own right, part of the rationale for investing in these reflects the company's belief that its legacy carbon-intensive businesses are not sustainable over the long term.

**Objective:** To understand the company's plan to enter the renewable energy sector, particularly the solar energy business, and the phased plan for its petrochemical business.

#### Activity

In the last two years Reliance has announced its intention to enter the renewable energy sector, with the two-fold intention of developing several valuable new businesses and repurposing its existing assets to low-carbon operations. This plan is ambitious in scale and involves the investment of ten billion dollars in the first phase. The company's plans have been closely guarded and we have regularly engaged with management to understand the latest developments and strategies as information becomes available. Reliance plans to develop capacities for the manufacturing of solar panels, battery storage systems, hydrogen electrolyzers and fuel cells. Our recent interaction largely discussed the company's plans for developing the solar energy business, where its plans are most advanced, and the company has begun making large-scale investments. We also discussed the phased plan for its petrochemical complex, which will be steadily repurposed to utilise new feedstocks and produce new chemical streams as renewable power becomes available.

#### Outcome

This discussion highlighted that the development of new technologies and the use of existing technologies will partly be underwritten by Reliance's commitment to decarbonise its existing operations, where it has committed to achieve net zero carbon emissions by 2035. Secondly, this discussion made it clear that the company has credible plans to support its aim of being an important player in the global markets for solar panels, battery equipment and the hydrogen economy. These industries are viewed as compelling and large-scale growth opportunities for Reliance. This positions Reliance as a company with an improving ESG risk profile and increasing exposure to opportunities in clean energy.

#### Company: Lindab

**Topic:** Environmental – Green Opportunities

**Background:** Lindab is a market leader in ventilation systems for buildings in Europe, offering products and system solutions for energy-efficient ventilation and sustainable construction. Lindab's products are designed to offer solutions to meet the most stringent energy efficiency demands in ventilation whilst also promoting a healthy indoor climate.

**Objective:** To understand more about the company's product portfolio, its environmental credentials, and the market opportunity for these products.

#### Activity

Within the industry for ventilation systems, products are graded A-D based on the airtightness of the ducting, with "A" rated products being the least efficient and "D" rated products being the most efficient (for reference, a D rated system is 15-20% more energy efficient than a C rated system). We engaged with management to understand more about their product portfolio, its environmental credentials, and the market opportunity for these products. We learned that they have deliberately positioned themselves at the higher end of the market, focusing solely on those products that meet the "C" and "D" categorisation, and that 2/3rd of their sales are aligned with EU Taxonomy criterion 1: "climate change mitigation".

Buildings in Europe account for ~40% of the total energy consumed and 36% of total greenhouse gas emissions produced. As approximately 70% of the energy used in a building is consumed for heating/cooling, providers of ventilation systems have a critical part to play in helping Europe meet its ambitious environmental targets. The EU's Green Deal has accelerated initiatives in sustainable construction and renovation and targets the renovation of 35m buildings by 2030, providing a significant opportunity for a company like Lindab.

#### Outcome

We believe that the combination of the European green agenda and the meaningful efficiency gains that can be achieved by using higher rated ventilation products, should support structural growth in demand for said higher rated products. Lindab's focus on products that meet the most stringent energy efficiency demands was a fundamental part of the investment case and gave us confidence that they should benefit from the structural growth, which should in turn drive earnings growth and the company's ability to support a progressive dividend.

#### Company: CI&T

**Topic:** Social

**Background:** CI&T is a Brazilian IT services company providing strategy, design and software engineering services to enable digital transformation for its clients.

**Objective:** To understand how the company's culture supports its business

#### Activity

Employees are key contributors to the IT services sector, with culture being an important aspect for reducing turnover and human capital management. On this basis, we engaged with CI&T to understand how its culture supports its business. Culture isn't just a set of aspirational values or quoted corporate principles, it's how people actually behave and make decisions in a company. The culture at CI&T is directed by its founder-led management team and distilled through the organisation. Culture is hard to pin down, and even more difficult to quantify; however, we believe CI&T has a differentiated approach defined by management's deep industry knowledge and unique organisational structure.



The industry provides value mainly through people and the continuous development of processes and methodology. Aware of this, CI&T are actively working to preserve these aspects as pillars of the company's 'DNA' by emphasizing a client-centric and impact-focused approach, decentralized decision-making, and a high trust environment. The company's unique organisational structure is critical to these efforts, the structure is split into several 'growth units' composed of 200-400 employees focused on specific sectors and clients. Sitting above these 'growth units' is a centralized 'powerhouse unit' which forms the skeleton of the company. The role of the 'powerhouse unit' is to facilitate communication and collaboration across growth units ensuring internal processes and methodologies evolve over time and CI&T maintain industry best practices.

CI&T's unique growth-powerhouse unit model eases the human capital burden whilst increasing the scalability and agility of the business. Further, by providing high independence and autonomy it helps retain talent - most importantly senior talent and leaders - and attracts founders of potential M&A targets, given CI&T is able to ease growth bottlenecks whilst maintaining business unit autonomy.

### Outcome

We believe the company is well positioned to benefit from the digital IT service industry's long-term secular growth outlook, further, its corporate culture plays an important role in defining this competitive positioning. CI&T's effective corporate culture is part of our investment thesis on the stock, given it serves to strengthen and extend the duration of the company's competitive advantages within the industry.

## Engagement for Change Examples

### Company: Sekisui Chemical

Engagement Type: For change

Topic: Governance

Background: Sekisui Chemical has excellent 'E' and 'S' credentials, exemplified by the fact that ~90% of homes sold by the company are zero emissions homes with solar panels and film-type lithium-ion batteries for energy storage – these homes typically generate more power than they use. The company has one of the lowest employee accident rates in the industry. Furthermore, Sekisui Chemical has been selected as one of the top 100 most sustainable companies in the world by Canadian consultant group Corporate Knights for the fourth year running and features in many ESG / ethical indices e.g., FTSE4Good, MSCI Global Sustainability Index, Morningstar SRI index, Dow Jones Sustainability Index.

However, when it comes to corporate governance, in line with many Japanese companies, Sekisui Chemical does not have a majority independent Board, and the Audit, Remuneration and Nomination committees are not fully independent.

### Objective: To improve Board independence

Timeline Company

Sekisui Chemical Co., Ltd.

Timeline Topic

All

Timeline Sub-Topic

All

Number of Meetings

5

Item Value, Escalation Method and Date

Engaged Management

Voted in support of proposal

Engagement Timeline

2022

April

July

October

2023

April

Company		Timeline Topic		Timeline Sub-Topic				
Sekisui Chemical Co., Ltd.		Board		Improve Board independence and gender diversity				
Date of First Meeting in Timeline		Latest Timeline Status		Latest Timeline Progress				
Friday, November 05, 2021		2. Ongoing		3. Some Changes				
Date	Escalation Method	Team	ESG Disclosure Discussed	Analyst 1	Main Title	Status	Progress	Progress Detail
Friday, November 05, 2021	Engaged Management	Equity: Non-US	False	Alex Simcox	[None]	1. Initiation	1. Initiation	Until Aug there were 3 external directors out of 10
Thursday, May 26, 2022	Engaged Management	Equity: Non-US	False	Alex Simcox	[None]	2. Ongoing	3. Some Changes	Did have 3/10 independent directors and only 1 female director of which 2 are independent (both male). governance of the board – draw a line between m
Wednesday, June 22, 2022	Voted in support of proposal	Equity: Non-US	False	Alex Simcox	IR	2. Ongoing	3. Some Changes	Mondrian voted in support of the three additional
Wednesday, November 30, 2022	Engaged Management	Equity: Global	True	Charlie Hill	CEO	2. Ongoing	3. Some Changes	Met with CEO and IR; Board structure has changed
Tuesday, March 14, 2023	Engaged Management	Equity: Non-US	False	Alex Simcox	[None]	2. Ongoing	3. Some	Co is aware of our desire to see a majority indepen

### Activity

When we met with management in November 2021, we communicated our dissatisfaction that the number of independent Board members had decreased from 3/10 to 2/9 and we advocated for a majority independent Board to align with best practice.

### Outcome

The company noted at that time that it was looking to increase the number of independent directors to four in the course of 2022 and will also look to appoint a female director to the Board.

### Activity

In May 2022 Mondrian held a further call with Sekisui Chemical's President and followed up on the issues of the company's Board independence and gender diversity. A female director had stepped down to work for the Japanese government; as a result, the Board comprised of nine directors of which two were independent (both male).

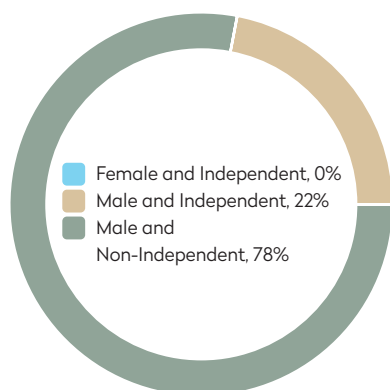


### Outcome

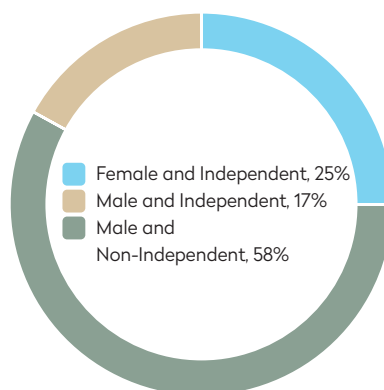
The company noted that for the 2022 AGM, they had proposed adding three new independent directors, all of which were female. This proposal aimed to increase Board independence from 22% to 42%, and female representation to 25%. The company also discussed emphasising the split between the monitoring function (led by the Chairman) and the execution function (led by the CEO).

Mondrian voted in favour of the above proposals, and they were passed at the June 2022 AGM.

Sekisui Chemical Board  
Composition - **Before**



Sekisui Chemical Board  
Composition - **After**



### Follow Up

Corporate governance standards at Sekisui Chemical are on an improving trajectory, but we will continue to engage until the Board has achieved an independent majority.

### Company: Sundrug

Topic: Governance

Background: Sundrug is a Japanese drugstore retailer.

Objective: To improve capital allocation practices, increasing the dividend pay-out ratio from 30% to 50%

Timeline Company Sundrug Co., Ltd.		Item Value, Escalation Method and Date						
Timeline Topic All		Engagement Timeline						
Timeline Sub-Topic All		<div> <div>Engaged IR</div> <div>Engaged Management</div> </div>						
Number of Meetings 4								
Company Sundrug Co., Ltd.		Timeline Topic Other Governance		Timeline Sub-Topic Dividend Payout Ratio increase from 30% to 50%				
Date of First Meeting in Timeline Wednesday, June 09, 2021		Latest Timeline Status 3. Closed		Latest Timeline Progress 4. Outcome Achieved				
Date	Escalation Method	Team	ESG Disclosure Discussed	Analyst 1	Main Title	Status	Progress	Progress Detail
Wednesday, June 09, 2021	Engaged IR	Equity: Global	False	Charlie Hill	IR	1. Initiation	1. Initiation	
Wednesday, November 24, 2021	Engaged Management	Equity: Global	False	Charlie Hill	CEO	2. Ongoing	2. No Change Yet	Discussed capital allocation and potential for increa
Monday, June 06, 2022	Engaged Management	Equity: Global	False	Charlie Hill	CEO	2. Ongoing	2. No Change Yet	
Friday, August 12, 2022	Engaged IR	Equity: Global	False	Charlie Hill	IR	3. Closed	4. Outcome Achieved	Dividend was increased as part of the announceme

### Activity

We believe Sundrug can improve its corporate governance practices. Although we do not have significant concerns over the board or pay, the company is, in our view, allocating capital more conservatively than necessary considering the stability of its business. An example of this is the management of its balance sheet, which is significantly net cash and inefficient compared to peers. Sundrug has paid a dividend for many years, but the pay-out ratio has been stuck between 20% and 30% of net income for over a decade, with minimal use of share buybacks. We believe there is scope for a significant increase in shareholder returns without compromising its ability to invest in future growth.

We meet with management regularly, both in person and virtually. These meetings are largely focused on maintaining a strong understanding of company strategy and operational developments, but we invariably engage with the company on capital allocation in those meetings. More recently, with cash continuing to build up on the balance sheet without being invested or returned to shareholders, we have been active in suggesting an increase in shareholder returns. Specifically, in meetings in June 2022 and November 2021 we spoke with operating officer Yoshinobu Kato, and in those meetings we reiterated that message and our preference for dividends as a use of cash.

## Outcome

Although there was no indication on our most recent call that a change in policy was imminent, it was announced in August 2022 that Sundrug would be increasing their dividend payout ratio from 30% to 50%. That announcement, along with resilient quarterly results, led to a 10.8% increase in the share price on the day. We believe this is a positive step in the right direction from Sundrug's board, and potentially a sign of further advances on robust capital allocation going forward.

## Follow Up

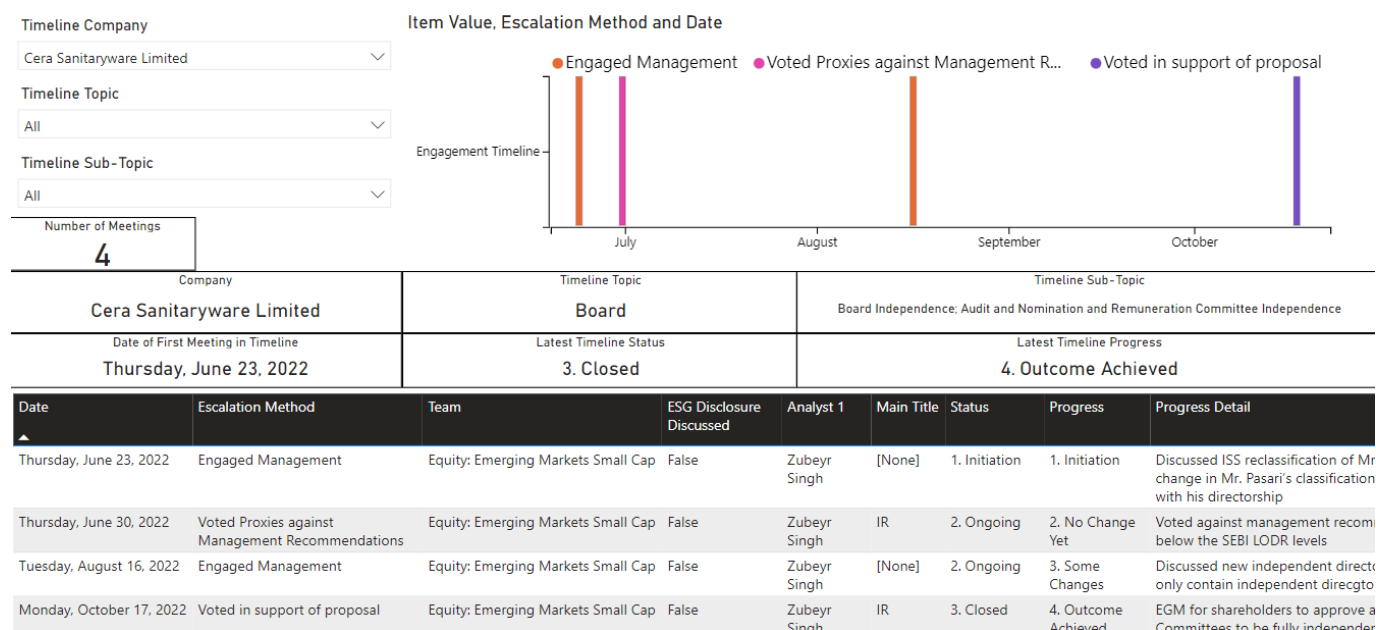
The company's balance sheet remains very strong and continues to provide optionality for both investment in future growth and further increases in returns to shareholders. We will continue to engage with management on this topic.

## Company: Cera Sanitaryware

Topic: Governance

Background: Cera Sanitaryware ("Cera") is amongst the leading building material companies in India, focusing on sanitaryware and faucet ware and benefiting from an extensive distribution network and in-house manufacturing capabilities.

Objective: To encourage a majority independent board, as well as Audit and Nomination and Remuneration Committee independence.



## Activity

Our research highlighted board independence concerns which had also been raised by our proxy adviser. Ahead of the June 2022 AGM, our proxy adviser had re-classified Mr. Sajan Kumar Pasari from an independent director to a non-independent director due to his 10+ years tenure at Cera, which was deemed too long. The re-classification had implications for the other non-independent director nominations and the independence of the Audit and Nomination & Remuneration Committee. During our virtual engagement in June 2022, we highlighted corporate governance best practice of a majority independent board, and how the change in Mr. Pasari's classification had implications on the board and various committee structures. The company explained that Mr. Pasari is an eminent industrialist with varied experience and the Board has benefitted immensely from his experience, thus would want to continue with his directorship.

## Outcome

Following on from our engagement, Cera announced the appointment of an Additional Director – Independent Category for the period of three years, alleviating board independence concerns, via an EGM in October.

- Item 1. Elect Ravi Bhamidipaty as Director, passed

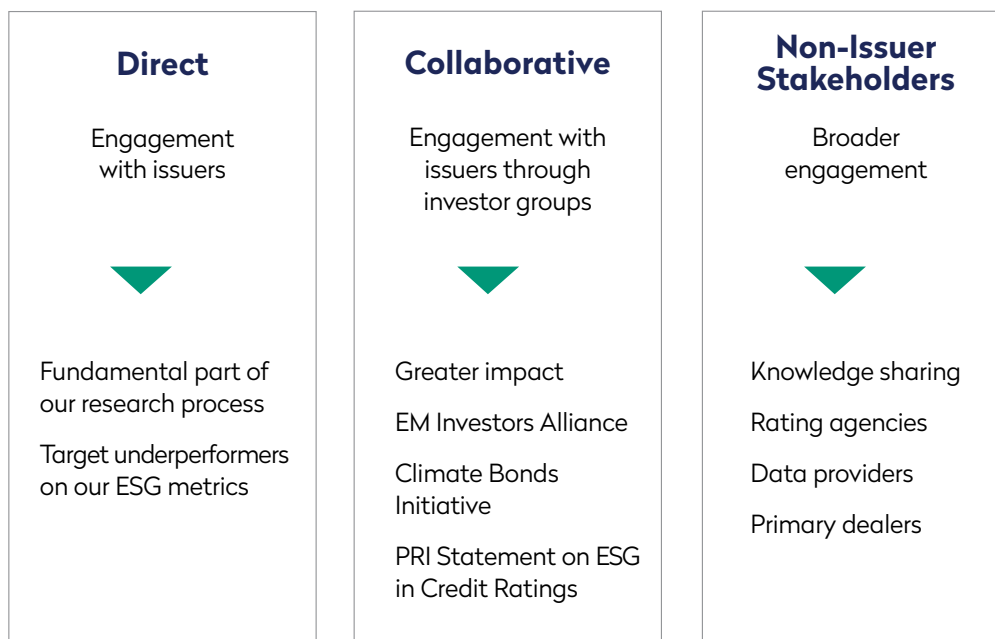
Post this appointment the Audit and Nomination & Remuneration committee will only contain Independent Directors.

We were pleased to observe that Cera had addressed the issue in a prudent and timely manner. The prompt action taken by the management further strengthened our investment case as well as our view of good corporate governance at Cera.

## Mondrian Fixed Income Engagement

Mondrian has always believed that engagement is integral to the investment process on both the corporate and sovereign side as our analysts meet with debt issuers as a matter of course to further our understanding and highlight issues of importance.

Mondrian utilises a common framework to engage with both sovereign and corporate issuers as summarised in the diagram below.



## Direct Engagement

Mondrian engages directly with issuers as an integral part of both our sovereign and corporate research process. Findings from engagement will feed into our ESG rating awarded to each issuer, which in turn directly impacts the valuation we assign to the bonds.

On the sovereign side, members of Mondrian's Global Fixed Income and Currency Team meet with individuals at central banks and government agencies in the course of their research to raise issues we deem of importance, a recent example being engagement with the Reserve Bank of Australia during which the environmental impacts on inflation forecasting were discussed.

On the corporate credit side, Mondrian benefits from the close relationship with our equity-analyst colleagues, providing good access to company management. We raise the ESG issues we deem material to a company at the time of each credit review and follow up during subsequent reviews as part of a structured program of ESG engagement.

In addition to direct engagement inherent in the research process, Mondrian carries out a program of targeted engagement for both sovereign and corporate issuers, focusing on a particular ESG metric and engaging with laggards on this metric. We maintain that targeting what we perceive as a concise number of key factors is the most effective way to engage with issuers. This is consistent with our philosophy and process but has the added benefit of avoiding the fatigue we understand that issuers are experiencing from receiving ever increasing numbers of long form ESG questionnaires, not necessarily tailored to the issuer, as ESG concerns gain in prominence.

## Activities and Outcomes

Below are some examples of engagements for understanding over the period.

### Sovereign: Italy

Engagement Type: For Understanding

Topic: Environmental - Green Bonds

Background: The introduction of the EU Taxonomy has dramatically increased the amount of information expected to be provided supporting any issuance of green bonds. Whilst we welcome the intention to improve standards and create a clear framework of what can truly be considered a green investment/sustainable activity, the adoption of these standards has created a significant data burden as well as a number of uncertainties. Even very thorough and detailed green bond frameworks and reporting often lack the specific information and data needed to analyse alignment with the EU Taxonomy. This is relevant for both green bond issuers as well as investors such as Mondrian who manage green bond funds. We believe EU Taxonomy alignment reporting will become a market expectation for green and sustainable bonds issued within Europe, whilst globally other regions will continue to introduce and update their regulation requirements and standards.

Objective: To understand how the Italian Ministry of Economy and Finance is coping with the more onerous reporting requirements of the EU Taxonomy.

### Activities

In 2022 we sent an email to the Italian Ministry of Economy and Finance, to better understand how it is coping with the more onerous reporting requirements of the EU Taxonomy.

We noted that Italy's green bond framework and impact reporting is clearly aligned with the EU Taxonomy but wanted to understand if any further consideration had been given to how the demands of the EU Taxonomy affect Italy's green bond framework and reporting going forward. Additionally, we sought to understand what information we could expect to see in the future.

Given the scale and granularity of the data needed to conform to the EU Taxonomy reporting standards, particularly in reference to the "Do No Significant Harm" ("DNSH") criteria, we aimed to gain greater clarity on whether it was possible for a Sovereign issuer to meet these information demands, and furthermore what changes in the standards the Ministry of Economy and Finance would like to see to allow more robust reporting.

Finally, we engaged to understand whether there been any problems or issues in attempting to include the EU Taxonomy regulations in Italy's green bond framework.

#### Outcome

The Italian Ministry of Economy and Finance responded that they are analysing in detail and on an ongoing basis what the consequences could be of further developments within the EU Taxonomy for their green bond activity, and consequently setting up an assessment process when selecting and reporting the capital and operational expenditures eligible to be financed by green government bond proceeds. They also informed us that there are currently discussions in Brussels on the issue and at this stage it is very difficult to express any firm and detailed opinion, however it is very likely that they will keep on moving forward towards the closest possible alignment with the EU Taxonomy rules as they become operational. They also mentioned that they are working to fully respect the DNSH requirement even though presently this is not a legal requirement for green bond issues.

They were also of the opinion that a simplification of the standards would be welcome, especially to consider the specific features for Sovereign issuers, which face the task of aligning eligibility requirements of the green share of RRF items with those applied to the green government bonds. They also mentioned that at that time, the EU Taxonomy Regulation was still not formally embedded in Italy's framework, and to that effect they may work on some partial adjustments, but they are waiting for the new EU-GBS Regulation to be finalized to formally include the EU Taxonomy Regulation.

Follow Up: We will continue to engage with the Italian government to gain further clarity on how they are progressing with their alignment to the EU Taxonomy.

#### Sovereign: Hungary

Engagement Type: For Understanding

Topic: Governance - Rule of Law

Background: Across the range of indicators that we look at for governance, in the latest (2020) publication of the World Governance Indicators, Hungary shows a deterioration in its percentile rank in the Rule of Law indicator.

Objective: As the Rule of Law indicator forms a vital part of our governance assessment, we engaged with Hungary to understand what efforts were being made to improve the country's ranking on this indicator.

#### Activities

We had a video call with Hungary's Deputy Finance Minister, Deputy Minister of Justice and representatives from the Debt Management Agency ("AKK"), to better understand how seriously they are taking their deterioration in the rule of law, and if they are putting in enough effort to improve it.

We informed them that as investors we are concerned with the European Commission's opinion that Hungary has not adequately implemented the necessary 17 remedial measures agreed under the general conditionality mechanism by the deadline of 19 November 2022, and as a consequence the EU will now likely be withholding funds from Hungary. We sought to better understand the steps being taken to fully implement the necessary remedial measures agreed, and by when this will have been achieved to the satisfaction of the European Commission.

We also noted that the European Commission endorsed Hungary's Recovery and Resilience Plan, conditioned on the full and effective implementation of the required milestones, which expanded to a set of 27 so-called "super milestones". This meant that no payment under the Plan would be possible until Hungary fully and correctly implemented these 27 "super milestones". As this sounded like a massive endeavour, our concerns were that this issue would continue for a long time and Hungary would have funds withheld for some time to come, hampering its potential economic growth. We engaged to understand what kinds of resources were being committed to implement the 27 "super milestones", and in what timeframe we could expect them to be accomplished.

#### Outcome

The Hungarian delegation responded to our questions noting that most of the 17 remedial measures had been completed according to the timetable agreed with the European Commission. There were a few outstanding measures which had not been completed by the 19 November 2022 deadline, but they had already discussed with the European Commission that these outstanding items required new legislation which was in the process of being drafted and put forward to Parliament. They reiterated that the Hungarian government is committed to implementing all of the remedial measures identified by the European Commission and were working to have them all implemented by end June 2023. They also mentioned that new legislation is required to fully implement the 27 milestones, which they are drafting. However, they noted that there are some points of disagreement with the European Commission on the interpretation of certain conditions which will require further dialogue with the Commission.

**Follow Up**

We will continue to engage with the Hungarian government for greater understanding on how they are progressing with the outstanding items from the European Commission pertaining to its rule of law.

**Company: ING Group**

Engagement Type: For Understanding

Topic: Social/Governance - Diversity and Inclusion

Background: ING Group is a Dutch multinational banking and financial services corporation whose primary businesses are retail banking, direct banking, commercial banking, investment banking, wholesale banking, private banking, asset management, and insurance services. Bonds issued by ING have been held in our aggregate and green bond fixed income strategies for a number of years.

Objective: To understand how ING considers diversity and inclusion both within the organisation and within its loan book.

**Activity**

During 2022, Mondrian's Credit Team engaged with ING regarding diversity and inclusion, both within the organisation and how it is considered within their loan book. ING score highly on ESG in Mondrian's fixed income model and have been a useful source of engagement for understanding over the years for the financials sector. ING highlighted how they use the 70% principal when thinking about diversity and inclusion internally; no team should have more than 70% of one age group, one nationality or one gender. They are working on putting processes in place around each principal, with the initial focus on gender and then broadening to other characteristics. Management highlighted geographical limitations; for example, hiring managers in Romania and Poland find it very difficult to hire different nationalities given the local demographics.

**Outcome**

Mondrian continues to hold the bonds of this company, with a strong ESG rating contributing positively to the overall internal credit rating we assign the issuer.

**Collaborative Engagement**

Mondrian is a signatory to the PRI's Statement on ESG in Credit Ratings, an initiative supported by asset managers, the rating agencies, debt issuers and asset owners that facilitates discussions in the context of ESG topics amongst these groups. The Global Fixed Income and Currency Team attends this initiative's round table events which have covered multiple ESG topics such as engagement in the asset class; the varying approaches taken to ESG in credit analysis; the importance of timescales to analysts when considering ESG; and how data can be improved.

In addition, Mondrian is a member of the Emerging Markets Investors Alliance ("EMIA"), which is a not-for-profit organisation that enables institutional emerging market investors to support good governance, promote sustainable development, and improve investment performance in the governments and companies in which they invest. EMIA seeks to raise awareness and advocate for these issues through collaboration among investors, companies or governments, and public policy experts.

More details on collaborative engagement activities and outcomes during the period are provided in Principle 10.

**Engagement with Non-Issuer Stakeholders**

To further our engagement objectives within fixed income, we also regularly engage with non-issuer stakeholders on items such as index advisory committees on the composition of key benchmarks, the external credit rating agencies on their approach to ESG integration and transparency of information.

**Activities and Outcomes**

Members of our Global Fixed Income and Currency team have frequent discussions with Haver Analytics, our data provider, regarding additional data we would like to see on their platform. In one of these discussions, we requested they incorporate data from the Open Budget Survey ("OBS") compiled by the International Budget Partnership. The OBS collates data on the transparency of government fiscal accounts which we sought to incorporate into our sovereign ESG models. Transparency in government fiscal accounts is imperative to understanding the fiscal position of the sovereign, both in terms of the amount of borrowing the sovereign undertakes and the total amount of debt outstanding. These are ultimately the key determinants of sovereign creditworthiness. Generally, we find higher transparency in government fiscal accounts translates to higher sovereign creditworthiness. Haver have now incorporated the OBS data into their ESG portal, providing this data to all subscribing investors for use in their ESG analysis.

# Principle 10

Signatories, where necessary, participate in collaborative engagement to influence issuers

## Collaborative Engagements - Equity Approach

Although Mondrian may act collectively with other shareholders and governance organisations, most of Mondrian's equity engagements are conducted directly with investee companies given the level of access that our equity teams typically have to management and boards.

Where we find that the approach of direct engagement with the management and board of a company is ineffectual in dealing with Mondrian's concerns, subject to any regulatory restrictions and where it is in our clients' best interests to do so, Mondrian may act collectively with other shareholders and governance organisations. While Mondrian recognises the benefits of working alongside other likeminded investors and the likelihood that such engagement may be the most effective means of securing the required change, Mondrian would generally only participate in collective engagement on critical issues which may have a material impact on shareholder value. Any engagement would be reviewed on a case-by-case basis and would require the knowledge of the product CIO and the Compliance Officer.

Any conflict of interest would be managed in accordance with Mondrian's Conflicts of Interest Policy. Similarly, the receipt of inside information would be managed through the procedures outlined in Mondrian's Market Abuse Policy.

## Equity Collaborative Engagements

Issues where we have previously engaged in informal collective action include circumstances where we held serious concerns about the capability or independence of senior management, concerns about specific social or environmental risks, concerns on the price level of a proposed transaction, management remuneration, and circumstances where we felt the management was not acting in the interest of minority shareholders. Collective action has included speaking to the press, attending and speaking at an AGM or EGM and joining other shareholders to press management for changes to leadership, transaction prices or specific risk operations. Where activist investors are engaging portfolio companies for change, we may meet with the activist investor to understand their perspective and may then engage directly with the company on the issue ourselves.

### Activities and Outcomes

#### Company: B&S Group

Topic: Governance

Background: B&S is a wholesaler, distributor and retailer with a global reach, focusing on higher value products such as perfumes. Operations are diverse but rely on core strengths: Strong product sourcing capabilities with deep relationships goods manufacturers, enhanced by software systems that help anticipate customer's demands and deliver efficiency.

We initially purchased B&S at IPO in early 2018. The key seller was Mr Blijdorp, the founder and circa 70% shareholder (via an intermediary company), who had retired from a management position in the firm following a 2004 heart-attack. Mr Meulman, the CEO, was another important seller with a circa 25% holding, and management the remaining circa 5%. As part of our due diligence, we conducted a background check on Mr Blijdorp which highlighted no issues and were additionally informed that none of Mr Blijdorp's family were involved with the company.

At IPO, circa 30% of the company was sold to new investors (including Mondrian), leaving Mr Blijdorp with a holding slightly above 50%.

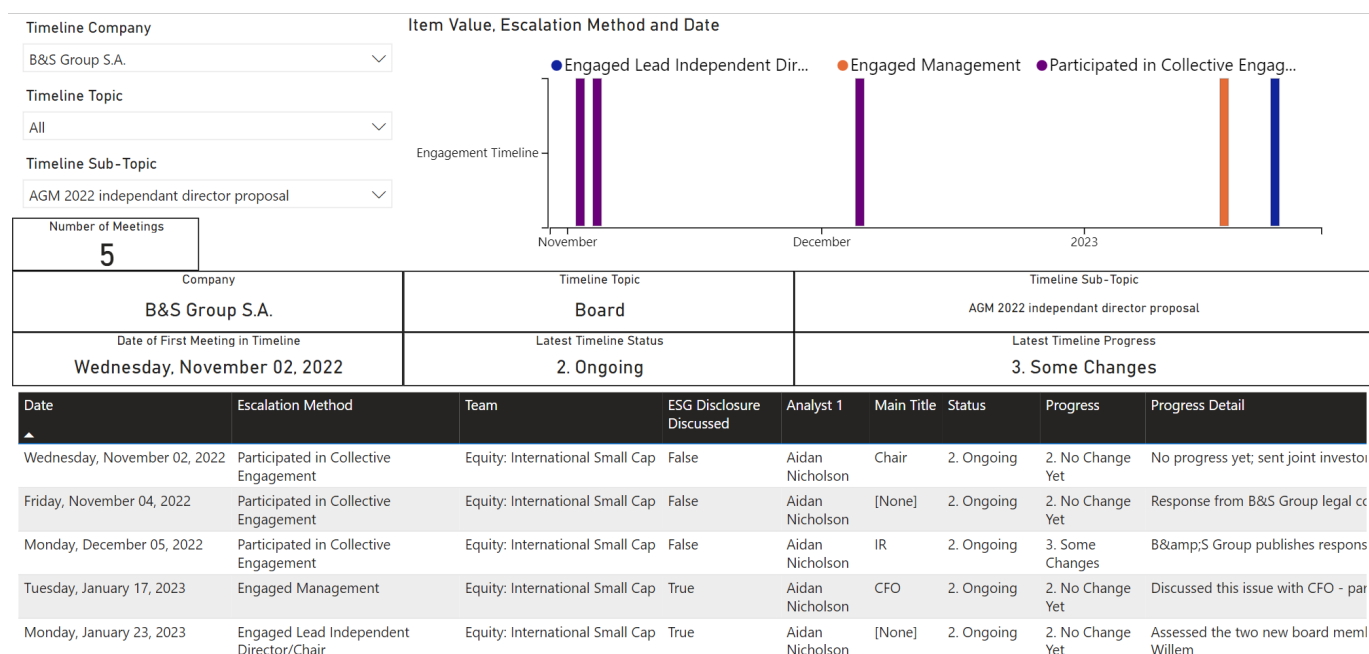
In the 2020 AGM, Leendert Blijdorp, Mr Blijdorp's son, was elected to the Supervisory board. Furthermore, in late 2020, Mr Meulman resigned following his wife's diagnosis with cancer and sold his stake to Mr Blijdorp at a significant premium to the prevailing share price. This took Mr Blijdorp's shareholding up to circa 67% of the company.

#### Suspect action by Mr Blijdorp and reaction

B&S's trading was significantly disrupted by Covid, which interrupted business servicing cruise lines, duty free and aspects of its other international business. Company management reacted well, and the company remained profitable, but the share price fell abruptly and remained relatively low through 2022 due to this end-market disruption. In private, Mr Blijdorp made an offer to the supervisory board in mid-2022 which was rejected. This offer then came to light following the 17 Oct 22 announcement that Mr Blijdorp had requested an EGM in order to vote on the dismissal of the Chair of the Supervisory board. Obviously, this action coming from a significant shareholder and board member made us extremely concerned for the rights of minority shareholders, including ourselves.

Objective: Protect value of shareholding through improvement of corporate governance practices.





### Activity

We engaged with other large independent shareholders in the company, forming a block with two other holders to send a letter asking 65 questions of the management board and supervisory board in a letter to try to establish the facts of the situation in more detail and to remind the directors of the company of their obligations towards minority shareholders. We also submitted a formal request to delay the EGM to ensure these answers would be received before the meeting.

### Outcome

The reply to the questions was published by the company on 5 Dec, which shed some additional light on the situation, but cited confidentiality to obscure the answer to the key question of whether Mr Blijdorp had proposed a non-standard structure for the buyout that would have denied minority shareholders the effective choice of whether to tender their shares.

Through this period, the situation was in the national news in the Netherlands and the Dutch shareholder's association, the VEB, had also written a letter of questions to highlight their concerns for minority shareholder rights. We further understand that the Dutch market regulator, the AFM, had had meetings with the company.

### Activity

#### 2022 EGM Proposal

- Item 2: Approve Removal of Jan Arie van Barneveld as Supervisory Board Member
- Proponent: Management
- Management Recommendation: FOR
- Mondrian Vote Instruction: AGAINST

### Outcome

- Item 2: Approve Removal of Jan Arie van Barneveld as Supervisory Board Member, passed

Mr Blidjorp was allowed to vote his shares at the EGM, so the chair of the supervisory board was dismissed despite votes against the motion from minority shareholders including Mondrian, and the remaining independent board member resigned in protest, as she had previously notified the company she would in October 2022. The third independent board member had already resigned in slightly ambiguous circumstances around the time of Mr Blijdorp's bid in early September 2022. This left an inquorate supervisory board with only two non-independent members: Mr Blijdorp, and his son, Leendert – replacement members were promised “in due course”.

New supervisory members were elected quickly, with two nominations announced before the end of 2022. They were both surprisingly high-quality given the circumstances: Mr Doijer, the new supervisory Board Chairman, had over a decade of experience on the Board of the Dutch retailer Ahold (USD30b market cap), while Mr Tjeenk had board-level experience at Boehringer Ingelheim, the largest private pharmaceutical company in the world.

### Activity

During a 17 January 2023 meeting we gained assurance from B&S management that the new supervisory members had been specifically selected to be free of previous relationships with Mr Blijdorp.

We were keen to discuss the situation with these new board members and secured a call with both on 23 Jan 2023. In the call we highlighted a number of our concerns about the situation, particularly our concern about the rumour the CEO had accepted an undisclosed housing loan from Mr Blijdorp, bringing his independence of judgement versus Mr Blijdorp's possible future actions into question. The Board members committed to investigating this matter and improve official disclosure (beyond legal requirements) – we noted that disclosure alone would not be a remedy for our concerns in this instance.

Outcome: Decisive Action from the company



On 20 February 2023, the company announced it was postponing the announcement of its annual results while it investigated related-party transactions involving senior management of the company and worked to “establish an updated and robust governance framework which is fully in line with the Dutch Corporate Governance Code and the practices of a listed Company”. There were further assurances that these investigations would not result in material impact to the financial position of the company. In the same press release, Mr Blijdorp and the CEO announced their resignations.

## Collaborative Engagements – Fixed Income Approach

As direct engagement with sovereigns can be challenging, especially in emerging markets, Mondrian's Global Fixed Income and Currency Team participates in collaborative engagements with issuers, credit ratings agencies and other non-issuer stakeholders including index and ESG data providers, supranational organisations and business associations.

## Collaborative Engagements via the Emerging Markets Investors Alliance

Through the Emerging Markets Investors Alliance members of Mondrian's Global Fixed Income and Currency Team are currently participating in the Debt and Fiscal Governance, Sovereign Decarbonisation and Extractives Industries Working Groups.

### Activities and Outcomes

Please see below for examples of collaborative engagements during the period.

#### Sovereign: Ecuador

Engagement Type: For Change

Topic: Governance - Fiscal Transparency

Background: Through Mondrian's membership of the EMIA, we are a member of EMIA's Debt and Fiscal Governance Working Group. The objective of this working group is to improve fiscal transparency around the budget process for Sovereign issuers. We are guided by the work of our policy partners, the International Budget Partnership (“IBP”), whose global research and advocacy program promotes public access to budget information and the adoption of inclusive and accountable budget systems. In particular, we consult IBP to aid us in identifying a set of central government budget documents that countries produce but do not publish, as well as identifying if certain published documents are lacking specific details. Following discussions with representatives at the IBP, we identified several areas where Ecuador could make noticeable improvements to its fiscal transparency standing.

Objective: To encourage Ecuador to make improvements to its fiscal transparency standing.

#### Activities

An initial call was set up with Ecuador in 2021, and a follow-up call was set up in 2022 to continue the dialogue. In 2021 we had a video call with a Ministerial Advisor from Ecuador's Ministry of Finance, with the objective of getting them to improve fiscal transparency around their budget process. More specifically, we noted we would like to see the production and publication of a Pre-Budget statement, which discloses broad parameters of fiscal policies ahead of the Executive's budget proposal, as well as a timelier publication of a Mid-Year Review. We also encouraged the continued publication of the Enacted Budget on a timely manner, and more generally, noted that investors would value increased disclosure on broad measure of general government debt, including that of state-owned enterprises.

Following our initial call in 2021, Ecuador sent us some detailed budget information. We spent the first part of our 2022 video call giving feedback and raising questions on that information. In the latter part of our call, we discussed the IBP's findings with respect to Ecuador, in particular the eight stages in the budget cycle as the IBP defines them.

#### Outcome

While Ecuador has made some progress, there were still some gaps. Some of this work requires a lot of resources, which they don't currently have available. Ecuador was not aware of the Open Budget Index until we had reached out.

We have established a good channel of communication within Ecuador's Ministry of Finance and have seen some willingness on their part to engage with us for positive changes to their fiscal transparency. That said, the changes that we would like to see them implement are more long-term goals which will take some time.

#### Follow Up

Our aim is to have regular on-going engagements with the Ecuadorian government in order to monitor progress and push for changes to improve their fiscal transparency around the budget process.

#### Sovereign: South Africa

Engagement Type: For Change

Topic: Environmental - Climate Change

Background: Through Mondrian's membership of the EMIA, we are a member of EMIA's Sovereign Decarbonization Working Group. The objective of this working group is to seek to improve the environmental practices of Sovereign issuers and is guided by the work of EMIA's policy partner, the Climate Action Tracker (“CAT”), an independent provider of scientific analysis that tracks progress towards the globally agreed goal of holding warming well below 2°C, with the ultimate aim of limiting warming to 1.5°C. CAT quantifies and evaluates climate change mitigation targets, policies and action.

Objective: To improve the environmental practices of Sovereign issuers.

#### Activities

In 2022 we had a video call with several members of the South African government's Treasury Department, including individuals from the Climate Finance Team and the Tax Policy Unit. Our objective was to get them to improve their environmental practices, specifically in respect of three key areas: the Integrated Resource Plan, the Carbon Tax and the Climate Change Bill. The call was divided into three sections, with each section dedicated to one of the three key areas, where we asked several detailed questions and gauged domains where we thought we could potentially get South Africa to enact some changes.

A few of the more notable points mentioned on the call were as follows:

- On the Integrated Resource Plan: Recent analysis by CAT shows that the share of unabated coal-fired power in the South African electricity sector should reach a maximum of about 35% in 2030, with coal power completely phased out by 2040 to be compatible with the Paris Agreement. We encouraged the authorities to take steps towards phasing out coal power completely by 2040.
- On the Carbon Tax: Eskom is excluded from the carbon tax as the company is not being taxed under the first phase. We were concerned that absolute total emissions may not improve if Eskom was not incentivized to decarbonise, even as the carbon tax incentivizes other industries to decarbonise. We sought to understand if conditional subsidies could be implemented to incentivize Eskom's decarbonisation.
- On the Climate Change Bill: We highlighted that there was no time frame for setting sectoral emissions targets in the Climate Change Bill. In addition, while the Minister of Environment must identify the sectors and sub-sectors subject to sectoral emissions targets within one year of the Act coming into operation, there did not appear to be a deadline for setting the targets. The same appears to be the case in relation to carbon budgets laid out on Schedule 3 of the Climate Change Bill. We encouraged amendments to the Bill to set clear time frames for sectoral emission targets and carbon budgets since we believe the absence of these deadlines could result in implementation delays.

#### Outcome

We have established a good channel of communication within South Africa's Treasury Department and have seen some willingness on their part to engage with us for positive changes to their environmental practices. That said, the changes that we would like to see them implement are more long-term goals which will take some time.

#### Follow Up

Our aim is to have regular on-going engagements with the South African government via the Sovereign Decarbonization Working Group in order to monitor progress and push for changes to improve their environmental practices. In particular, we would like to continue specific streams of this engagement effort with the Department of Forestry and the Environment.

#### Company: Petrobras

Engagement Type: Engagement for Change – Corporate Credit

Topic: Emerging Market oil and gas companies – methane emissions reduction

Background: Through Mondrian's membership of the EMIA, the Global Fixed Income & Currency Team is a member of the Extractive Industries Working Group. One workstream within this group over 2022 was engagement with emerging market oil and gas companies with the aim to achieve methane emissions reduction. Methane is a powerful greenhouse gas and the second largest contributor to global warming. The oil and gas industry is one of the largest sources of anthropogenic methane emissions, and is the sector with the greatest potential for emissions reduction.

Objective: To encourage the company to sign up to the Oil & Gas Methane Partnership 2.0 ("OGMP 2.0") in an effort to reduce the company's methane emissions by first seeking disclosure of such emissions.

#### Activities

The workstream began with an educational session for EMIA members by representatives from Earthworks and the Environmental Defence Fund on methane, the implications of emissions, both environmental and financial, and best practice within the oil and gas sector. Following this session, there were several further discussions held, and the working group decided to focus initially on engagement with Petrobras regarding its methane reduction efforts.

A working group call was held with members of Petrobras where the working group requested that Petrobras sign up to the OGMP 2.0 which had previously been considered by the company but ultimately the decision was taken not to sign up. The OGMP2.0 is a multi-stakeholder initiative launched by UNEP and the Climate and Clean Air Coalition. It is the only comprehensive, measurement-based reporting framework for the oil and gas industry that improves the accuracy and transparency of methane emissions reporting in the oil and gas sector.

The call was then followed up with a letter from the working group members encouraging Petrobras to sign up to this initiative.

#### Outcome

In early January 2023 Petrobras became a signatory to the OGMP2.0. Through OGMP2.0's reporting framework, investors will be better able to understand the risks and opportunities of Petrobras' approach to methane emissions, as well as compare such data year on year to help measure progress.

#### Follow Up

Mondrian will continue its participation in this EMIA supported workstream, which is ongoing with further oil and gas companies to be engaged over 2023.

# Principle 11

Signatories, where necessary, escalate stewardship activities to influence issuers

## Escalation of Equity Stewardship

Where we feel that long-term shareholder interests are not being protected, we will typically engage the company formally at the senior management or board level to communicate our concerns and recommend remedial actions. When our views, particularly regarding governance, differ with that of the company or where there is a failure to achieve our reasonable expectations for shareholder return, we will more actively discuss this with the investee company's management team or vote proxies against management. Should engagement continue to prove unsuccessful in fulfilling the required objectives, Mondrian may choose to divest the shares.

### Activities and Outcomes

**Company: WH Group**

**Topic: Governance – Board, Pay, Other Governance**

**Background:** WH Group is a Chinese multinational meat and food processing company headquartered in Hong Kong.

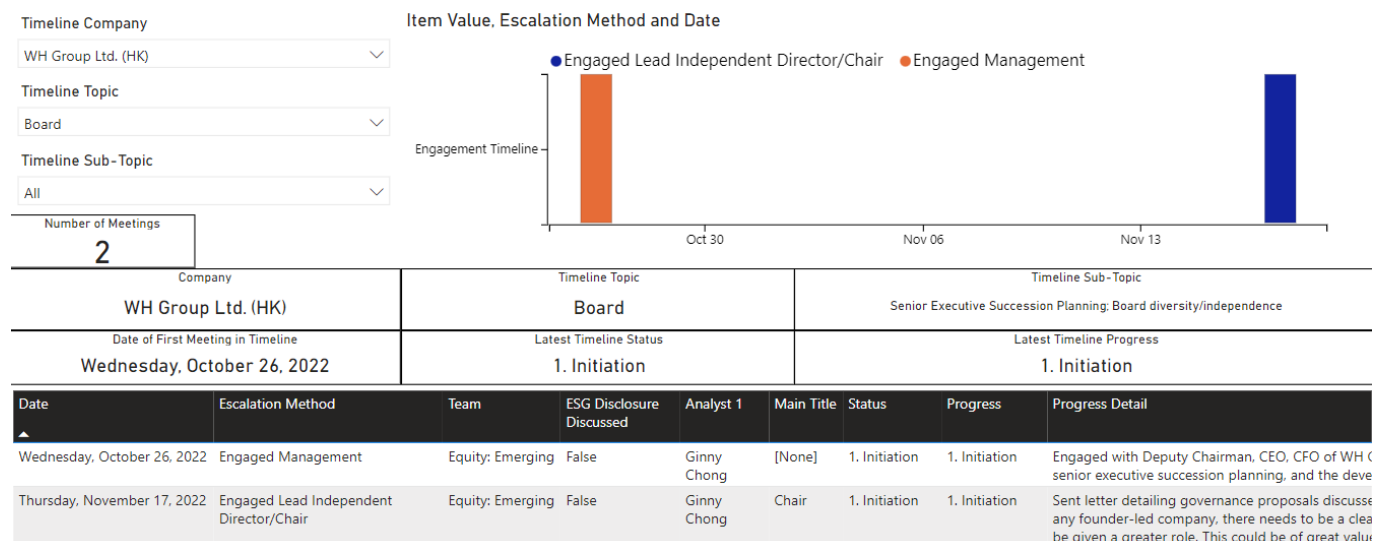
**Objective:** To encourage a change in practices for better senior executive succession planning as well as board diversity and independence.

Timeline Company		Item Value, Escalation Method and Date						
WH Group Ltd. (HK)		<div> <div>Engaged Lead Independent Director/Chair</div> <div>Engaged Management</div> </div>						
Timeline Topic		Engagement Timeline						
Pay								
Timeline Sub-Topic		All						
Number of Meetings		2						
Company		Timeline Topic		Timeline Sub-Topic				
WH Group Ltd. (HK)		Pay		Employee Share Incentive Scheme				
Date of First Meeting in Timeline		Latest Timeline Status		Latest Timeline Progress				
Wednesday, October 26, 2022		1. Initiation		1. Initiation				
Date	Escalation Method	Team	ESG Disclosure Discussed	Analyst 1	Main Title	Status	Progress	Progress Detail
Wednesday, October 26, 2022	Engaged Management	Equity: Emerging	False	Ginny Chong	[None]	1. Initiation	1. Initiation	Engaged with Deputy Chairman, CEO, CFO of WH (senior executive succession planning, and the deve
Thursday, November 17, 2022	Engaged Lead Independent Director/Chair	Equity: Emerging	False	Ginny Chong	Chair	1. Initiation	1. Initiation	Sent letter detailing governance proposals discuss teams have sufficient long-term alignment with sh performance but also showcase to shareholders th

**Objective:** To encourage the establishment of an employee share incentive scheme.

Timeline Company		Item Value, Escalation Method and Date						
WH Group Ltd. (HK)		<div> <div>Engaged Lead Independent Director/Chair</div> <div>Engaged Management</div> </div>						
Timeline Topic		Engagement Timeline						
Other Governance								
Timeline Sub-Topic		All						
Number of Meetings		2						
Company		Timeline Topic		Timeline Sub-Topic				
WH Group Ltd. (HK)		Other Governance		Formulation of Capital Return Policy				
Date of First Meeting in Timeline		Latest Timeline Status		Latest Timeline Progress				
Wednesday, October 26, 2022		1. Initiation		1. Initiation				
Date	Escalation Method	Team	ESG Disclosure Discussed	Analyst 1	Main Title	Status	Progress	Progress Detail
Wednesday, October 26, 2022	Engaged Management	Equity: Emerging	False	Ginny Chong	[None]	1. Initiation	1. Initiation	Engaged with Deputy Chairman, CEO, CFO of WH (senior executive succession planning, and the deve
Thursday, November 17, 2022	Engaged Lead Independent Director/Chair	Equity: Emerging	False	Ginny Chong	Chair	1. Initiation	1. Initiation	Sent letter detailing governance proposals discuss select growth opportunities, the global protein inc and capital to be returned to shareholders.We bel the company. Importantly, it would also help dem in your share price relative to your peers.In bench ongoing basis. We believe such a move will attract

**Objective:** To encourage the formulation of a capital return policy.



### Activity

Mondrian met with the Deputy Chairman, CEO, and CFO of WH Group, as well as the CFO of Smithfield in October 2022 to engage for the improvement in several corporate governance practices, specifically around the formulation of a capital return policy, board diversity/independence and senior executive succession planning, as well as the development of an employee share incentive scheme to align management incentives with the long-term interests of shareholders. We detailed how we felt improvements in these areas would be beneficial to the company and could help unlock the substantial value in the company's share price.

In November 2022, we escalated the discussion with a formal letter to the Chairman and Board of Directors at WH Group. In the letter, we reiterated our recommendations of:

1. The formulation of a capital return policy: A more suitable capital return policy should be reflective of the balance between investing for growth, and capital to be returned to shareholders; we believe special dividends or share buy backs should be paid on top of a regular dividend policy. This would better reflect the maturity and relatively low leverage of the company. Importantly, it would also help demonstrate clear capital discipline.
2. A clear succession strategy and increased diversity of decision-making: We believe that in any founder-led company, there needs to be a clear succession policy in place. We also believe that a broad range of senior executives, both with capital market experience and relevant industry knowledge should be given a greater role. This could be of great value to Chairman and the management team. As well, at the Board level, we endorse a more diverse, active and independent board with capital market experience.
3. An employee share incentive scheme: we expressed our concerns regarding whether the current management teams have sufficient long-term alignment with shareholders in the form of share incentive schemes. We suggested engaging industry experts to assess the benefit of such an equity plan, to incentivize continued performance but also showcase to shareholders that share ownership is broad-based amongst key senior management, many of whom do not have such share ownership of the company.

### Outcome

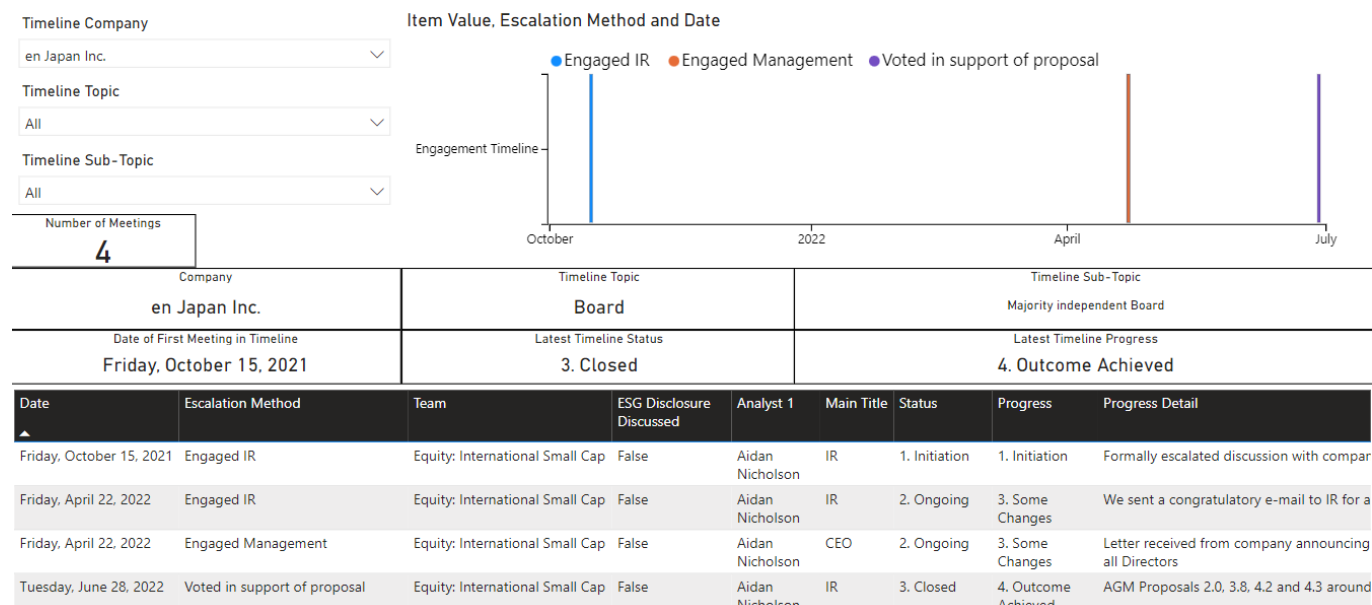
We appreciate that change in corporate practices takes time. As such, engagement around these three areas is ongoing.

### Company: en-Japan, Inc.

#### Topic: Governance – Board Independence

**Background:** Recognising the low levels of board independence across our holdings of Japanese companies, we have focused engagement efforts with both portfolio and non-portfolio companies to improve this aspect of their corporate governance for a number of years. As such, this topic has been and remains a subject of frequent engagement directly with senior board representatives in our regular meetings with Japanese companies. While these companies have generally showed receptiveness to the idea, we saw an issue through 2021 where a meaningful number of the “independent” non-executives put up for election across a range of companies failed to meet our threshold criteria for independence.

**Objective:** To convince Japanese companies of the importance and corporate governance best practice of a majority independent board while acknowledging the less stringent Tokyo Stock Exchange guidance.



### Activity

The scale of the independent director definition issue led us to write formal letters to all portfolio companies in October 2021, detailing our criteria for director independence and how it differs from the less stringent Tokyo Stock Exchange guidance as well as underlining our thought on the importance of increasing representation of independent directors on boards.

### Outcome

We received a particularly strong response to this letter from the portfolio company en-Japan, who wrote to us in November 2021 with specific questions relating to an individual they were considering as a non-executive, as well as broader changes they were considering to board structure.

### Activity

Having answered the company's questions, we were very pleased to see the company announce that they were making positive changes to the board structure and committing to a majority independent board in April 2022. We wrote to our company contact to express our approval of these changes and received feedback that our engagement had been an important factor in the change. The 2022 AGM included three new independent director nominations, which would result in a majority independent board.

### 2022 AGM Proposal(s)

- Item 2.0 Amend Articles to Adopt Board Structure with Audit Committee - Disclose Shareholder Meeting Materials on Internet - Amend Provisions on Number of Directors - Authorize Directors to Execute Day to Day Operations without Full Board Approval
  - Proponent: Management
  - Management Recommendation: FOR
  - Mondrian Vote Instruction: FOR
- Item 3.8 Elect Director Hayashi, Yuri
  - Proponent: Management
  - Management Recommendation: FOR
  - Mondrian Vote Instruction: FOR
- Item 4.2 Elect Director and Audit Committee Member Otani, Naoki
  - Proponent: Management
  - Management Recommendation: FOR
  - Mondrian Vote Instruction: FOR
- Item 4.3 Elect Director and Audit Committee Member Ishikawa, Toshihiko
  - Proponent: Management
  - Management Recommendation: FOR
  - Mondrian Vote Instruction: FOR

### Outcome

- Item 2.0 Amend Articles to Adopt Board Structure with Audit Committee - Disclose Shareholder Meeting Materials on Internet - Amend Provisions on Number of Directors - Authorize Directors to Execute Day to Day Operations without Full Board Approval, passed
- Item 3.8. Elect Director Hayashi, Yuri, passed
- Item 4.2. Elect Director and Audit Committee Member Otani, Naoki, passed
- Item 4.3. Elect Director and Audit Committee Member Ishikawa, Toshihiko, passed

These votes resulted in a majority independent board, as well as improvements in the overall board structure. We are pleased to see en-Japan's new governance structure following our previous engagements with them.

## Escalation of Fixed Income Stewardship

As detailed in Principles 9 and 10, Mondrian's Global Fixed Income & Currency Team engages with issuers directly and collaboratively. In the event that issuers do not respond to our engagements, we will continue to follow up with them. If there is limited improvement in ESG metrics, then our sovereign credit adjustment / corporate credit rating would remain weak and all else equal, a bond with a weak sovereign / corporate ESG score is less attractive than an equivalent. Again, the weaker the overall credit assessment, the higher the sovereign credit adjustment, resulting in a greater PRY premium required to drive an allocation.

### Activities and Outcomes

Topic: Board Composition

Governance is a key credit risk identified by Mondrian in the analysis of the Mexican telecommunications company. Voting rights are concentrated in the hands of a single shareholder, in addition the board is entrenched and has a lack of diversity. The family trust currently holds 52% of equity, with the family's investment vehicle owning another 21%. Due to a multiple share class structure (AA and A shares have full voting rights, and L shares have limited voting rights), the family trust has the right to elect the majority of the board. This is reflected in the board composition, with a significant presence of family members on the board. Mondrian's credit team has engaged with the company regarding their concerns but received no response.

#### Escalation

The absence of mitigating factors through engagement results in a weak Mondrian ESG rating, which in turn makes governance a limiting factor on Mondrian's overall credit rating for the company. This influences the valuation we ascribe to their bonds. Mondrian continues to seek to engage annually.

#### Outcome

We continue to monitor this as the valuation is limited by the company's governance practices and continue efforts to engage with the company. All else equal, the issuer would currently have a higher policy allocation across portfolios if engagement had yielded mitigating factors.

Please also refer to the Oracle example provided in Principle 7.



# Principle 12 – Exercising Rights and Responsibilities

Signatories actively exercise their rights and responsibilities

## Exercising Rights and Responsibilities – Equity: Proxy Voting

As previously described, all of Mondrian's fundamental equity investment products are driven by extensive, bottom-up fundamental company analysis and comprehensive engagement that includes active participation through the proxy voting process. This is consistent across all equity asset classes and geographies. Mondrian has developed its Proxy Voting Policies and Procedures to enable it to meet its fiduciary obligation to vote proxies in the best interests of its clients.

### Voting Authority

Mondrian's client agreements define the scope of its authority and responsibilities to vote proxies on behalf of each client. These typically fall into four categories:

1. Clients that delegate full discretion to Mondrian to vote proxies on their behalf
2. Clients that vary the scope of Mondrian's voting authority by imposing specific guidelines
3. Clients that receive proxy voting advice from Mondrian in specific circumstances but undertake voting themselves
4. Clients that undertake to vote proxies themselves

Mondrian's proxy voting procedures apply to all clients who grant discretion to vote proxies on their behalf. Where clients have adopted specific proxy voting policies, Mondrian will assess the extent to which they are consistent with its adopted guidelines. Where a client's own proxy voting policy diverges significantly from Mondrian's own guidelines, that client's policy will be considered separately in order to vote those client's proxies pursuant to their individual guidelines. Please note that Mondrian has full discretion to vote proxies for pooled vehicles.

### Proxy Voting Committee

Mondrian has established a Proxy Voting Committee ("the Committee") to oversee the proxy voting process and ensure client proxies are voted according to the Procedures. The Committee consists of the following Mondrian personnel (i) two senior investment staff; (ii) Chief Operating Officer; and (iii) Chief Compliance Officer. Other senior investment staff are available to act as alternates in cases where conflicts of interest are identified. The Committee will meet as necessary to enable Mondrian to fulfill its fiduciary duty to vote proxies for clients.

### Determining the Proxy Voting Procedures

The Committee reviews and approves the Procedures on a yearly basis. The Procedures are reviewed during the first quarter of the year and may be reviewed at other times as necessary. When reviewing the Procedures, the Committee seeks to establish if the Procedures are consistent with the goal of voting in the best interests of all clients and maximising the value of the underlying shares. The Committee will also review the Procedures to ensure compliance with rules promulgated by the SEC and other relevant regulatory bodies. After the Procedures are approved by the Committee, Mondrian will vote proxies or give advice on voting proxies in accordance with such Procedures.

### Proxy Voting Guidelines

Mondrian contracts with a Proxy Voting Adviser for the provision of voting advice and to facilitate the process of voting proxies. Proxy Voting Advisers commonly produce guidelines for proxy voting ("the Guidelines") that summarise their approach to voting on commonly occurring issues. The Committee reviews these Guidelines annually to determine whether voting proxies pursuant to the Guidelines is in the best interests its clients. If the Guidelines remain consistent with Mondrian's fiduciary duty and expectations for good corporate governance, Mondrian will adopt the Guidelines as the basis for its own proxy voting policy.

Mondrian may vote certain issues counter to the Guidelines if, after a thorough review, it determines that a client's best interests would be served by such a vote. In situations where the Guidelines do not cover a specific voting issue, Mondrian will vote on such issues in a manner consistent with the spirit of the Guidelines and that promotes the best interests of the client.



## Exercising Rights and Responsibilities – Equity: A General Description of Mondrian's Voting Behaviour

Mondrian is typically delegated the authority to vote proxies for securities held in a client's account, and votes proxies on behalf of clients pursuant to its Proxy Voting Policy and Procedures. The aim is not to micro-manage but to ensure that each company is run in the best interests of the shareholders.

Mondrian does not have a default voting position. Each motion is reviewed by a portfolio manager from the investment team responsible for research coverage of that stock. This includes matters to be voted on proposed by shareholders and proposals related to ESG, including climate change. The portfolio manager considers each motion, taking into account the relevant facts and circumstances that apply to that company, the Proxy Voting Adviser's recommendation and any conflicts of interest that may exist. Where voting items are more complex, the portfolio manager will conduct further research and analysis as necessary to determine the voting action that is in the best interests of the client. In conducting the review, portfolio managers consider the advice of the Proxy Voting Adviser critically and are watchful for material errors of fact or methodology, particularly where these impact the voting recommendation. Where the portfolio manager's review identifies potential errors or omissions in advice, they may conduct further research, including, but not limited to engaging with the company to gather further information, engaging with the Proxy Voting Adviser and reviewing such other Proxy Adviser's advice that may be available to us. As a result of this engagement, Proxy Voting Advisers may issue updated advice and recommendations.

Where Mondrian's analysis indicates that it is in the client's best interests to vote contrary to the Proxy Adviser's recommendation, the proxy motion will be referred to the Committee. The Committee will review the recommendations of the portfolio manager and the proxy voting adviser and conduct such further research and analysis as may be necessary to determine the vote that is most consistent with Mondrian's Procedures.

Mondrian attempts to vote every proxy which they or their agents receive where we have authority to do so. However, there have been a small number of situations where Mondrian was not able to process a proxy. For example, in a number of countries in which Mondrian invests client assets, local laws require the imposition of a trading block on shareholders once they have voted their proxies in relation to companies registered in that country. These trading blocks are usually for a defined period and can be for a number of weeks. Mondrian believes that in certain circumstances it is in the client's greater interest to retain the ability to sell the shares rather than to participate in the proxy vote. Clients may request information on how their proxies were voted from Mondrian at any time.

### Stock Lending

Mondrian does not participate in any securities lending activities other than to provide support for any programs that clients may independently arrange with their appointed custodians or third-party lending agents.

### Monitoring of Shares and Voting Rights

Mondrian reviews its shareholdings (shares held on behalf of clients in Mondrian's role as a noncustodial discretionary investment manager) regularly regarding its reporting obligations and will make holdings disclosures as required by the relevant exchange or regulatory body. The Compliance Monitoring Program incorporates periodic reviews of Mondrian's shareholding disclosure requirements, and an annual review of Director and Officer affiliations.

Mondrian authorises and instructs client custodians to forward proxy materials to Mondrian's Proxy Voting Adviser to enable it to facilitate the voting of proxies. Mondrian provides the Proxy Adviser with a list of client accounts and security holdings to make the adviser aware of which proxies it will vote on. This list of clients and client holdings is regularly updated.

Please refer to Mondrian's Proxy Voting Policies and Procedures, available at [www.mondrian.com/ESG-at-Mondrian](http://www.mondrian.com/ESG-at-Mondrian) for more details.

## Exercising Rights and Responsibilities – Fixed Income

Mondrian's Fixed Incomes strategies are typically comprised of sovereign and supranational issues. Investment grade credit is considered at times of extreme value using our relative value credit approach, and mortgage-backed securities are also utilised, with allocations varying depending on the strategy and client restrictions. As such, the team generally does not seek amendments to terms and conditions in bond indentures or contracts, or access to information provided in trust deeds and impairment rights. Also, given our relatively small size compared to our larger fixed income peers, it's not part of our investment model. With respect to reviewing prospectus and transaction documents, when our Global Fixed Income & Currency Team reviews bond documents, it is to inform themselves on risks. For example, if a subordinated bank bond is eligible to be converted into equity, what the triggers may be, etc. Additionally, in determining if a bond is eligible for investment on Mondrian's Green Bond Portfolio, Mondrian will review prospectus and transaction documents and engage with the issuer on any points of concern or to encourage more detailed disclosure if relevant.

### Activities and Outcomes

As of 31 December 2022, Mondrian was delegated full discretion to vote proxies and voted on behalf of clients for 70% of equity accounts, clients voted their own proxies for 25% of equity accounts, and Mondrian facilitated the voting of client proxy voting policies for 5% of equity accounts.

## Summary of Mondrian's Voting Behaviour for 1 January 2021 through 31 December 2021

### Description

1 Jan 2022 to 31 Dec 2022

Number of Votable Meetings	526
Number of Meetings Voted In*	520
Number of Votable Proposals	6,792
Number of Proposals Voted**	6,737
Number of Meetings with At Least One Vote Against Management Recommendations	176
Number of Meetings with At Least One Vote Withheld or Abstained Against Management Recommendations	8
Number of Votes with Management	6,275
Number of Votes Against Management	462
Number of Abstentions/Withheld Votes	90

Region	Number of Votable Meetings	% of Votable Meetings
Asia Pacific	244	46%
Europe	125	24%
North America	118	22%
Latin America	29	6%
Middle East	10	2%

Proposal Category	Number of Votable Proposals	% of Votable Meetings
Directors Related	2623	39%
Routine/Business	1205	18%
Director Election	679	10%
Capitalization	574	8%
Non-Salary Comp.	540	8%
Reorg. and Mergers	277	4%
Compensation	162	2%
Routine Business	133	2%
Director Related	112	2%
SH-Directors' Related	64	1%
Audit Related	63	1%
Company Articles	62	1%
Miscellaneous	44	1%
Antitakeover Related	43	1%
SH-Routine/Business	30	0%
Strategic Transactions	28	0%
SH-Health/Environ.	22	0%
SH-Other/misc.	21	0%
Non-Routine Business	21	0%
SH-Soc./Human Rights	20	0%
Social	15	0%
SH-Compensation	15	0%
Takeover Related	14	0%
SH-Corp Governance	8	0%
Environmental	7	0%
Other/Misc	4	0%
SH-Social Proposal	4	0%
E&S Blended	2	0%

\* Instances where Mondrian elected to not vote proposals at meetings include situations where companies were listed in countries where shareblocking laws were in place, holdings were sold post the record date but prior to the AGM, or meetings had two sets of voting cards where shareholders voted one card but not the other. In summary, where it was possible to vote on a proposal, Mondrian voted on the proposal.

Please see [www.mondrian.com/ESG-at-Mondrian](http://www.mondrian.com/ESG-at-Mondrian) for our most recent voting records.

The below provides greater details of where Mondrian has cast significant votes in the annual general meetings of companies invested in on behalf of our clients. Mondrian's Proxy Voting Committee has made this determination and as stated in our Engagement Policy, votes are typically considered 'significant' where Mondrian has voted against management, against our proxy adviser's recommendation or a vote considered significant for any other reason.

## Vote Against Management Recommendation

### Company: Continental AG

#### 2022 AGM Proposal(s):

- Item 6 – Approve Remuneration Report
  - Proponent: Management
  - Management Vote Recommendation: FOR
  - Mondrian Vote Instruction: AGAINST

#### Background

Continental is a German multinational automotive parts manufacturing company specializing in tires, brake systems, interior electronics, automotive safety, powertrain and chassis components, tachographs, and other parts for the automotive and transportation industries.

#### Activity

Mondrian voted against the remuneration report due to several reasons. We believe that the legacy defined benefit pension plans resulted in excessive pension contributions for certain executives. We did not consider the targets and performance metrics under the Long-Term Incentive plan (relative Total Shareholder Return ("TSR") to peers could be up to -25%) to be sufficiently challenging, due to the below peer median vesting. There was also an excessive severance payment for the outgoing CFO, Wolfgang Schafer, with a lack of clarity on the conditions for the payment to be realized, as well as a lack of disclosure on average employee remuneration.

We engaged with IR over email prior to the vote to let them know of our voting intentions and rationale. IR appreciated our feedback and agreed on the lack of transparency on some of the items, while pushing back on the pension issue (as this was distorted by actuarial assumptions) and the relative TSR issue. We encouraged the company to have an early dialogue in future with the proxy advisers and large shareholders well in advance of the voting deadline so any controversial issues can be explored in good time.

#### Outcome

Item 6 – Approve remuneration report, passed. We will continue to engage with the company regarding its remuneration policies.

### Company: Toyota Industries Corp. ("TICO")

#### 2022 AGM Proposal(s):

- Item 2.1 – Elect Director Toyoda, Tetsuro
  - Proponent: Management
  - Management Vote Recommendation: FOR
  - Mondrian Vote Instruction: AGAINST
- Item 2.2 – Elect Director Onishi, Akira
  - Proponent: Management
  - Management Vote Recommendation: FOR
  - Mondrian Vote Instruction: AGAINST
- Item 2.3 – Elect Director Mizuno, Yojiro
  - Proponent: Management
  - Management Vote Recommendation: FOR
  - Mondrian Vote Instruction: AGAINST
- Item 2.5 – Elect Director Masahiko Maeda
  - Proponent: Management
  - Management Vote Recommendation: FOR
  - Mondrian Vote Instruction: AGAINST

Background: Toyota Industries Corporation is a Japanese forklift truck and autoparts maker. The company does not have a majority independent board and the board has no diversity by gender or nationality. It also has a highly inefficient balance sheet with c.100% market cap in cross-shareholdings.

#### Activity

In 2020, Mondrian abstained from the AGM proposal to elect Mitsuhsa Kato as a non-independent outside director and wrote to the company explaining that directors designated as outsiders should be independent. We stated that in the future, we would vote against non-independent outside directors until at least 50% of directors are independent.

**Outcome**

2020 AGM Item 1.9 – Elect Director Kato, Mitsuhsa, passed. We continued to engage the company on improving its Board independence, however, no material positive changes have been made since then.

**Activity**

In November 2021 Mondrian discussed the need for a majority independent Board with investor relations. At that point there were only two independent directors (Mr Sumi and Mr Yamanishi). The company acknowledged this governance issue but noted it had not yet concluded if increasing independent directors would be beneficial to management and they have not seen scandals. We reiterated our views on outside directors and how they should be independent.

**Outcome**

With still no progress, we continued to engage for change on the level of board independence.

**Activity**

In May 2022, Mondrian met with TICO in Japan, and explained the importance of unwinding cross shareholdings, majority independent boards and board diversity. We met with them again in June 2022 and reiterated these points asking to speak to an independent director. The company explained that for now, there was no precedent to facilitate meetings between an independent director and investors. We also highlighted our concern that executive remuneration was not aligned to share price but based on business performance (mostly operating profit). The company said it would investigate this further.

**Outcome**

No progress to date. There were still no plans to unwind cross shareholdings. When asked, the company states that other investors have highlighted this issue and they recognise cross-shareholdings as one of their corporate challenges. TICO also has no plans to increase board independence or diversity. We continue to push for better corporate governance practices and will look to escalate these concerns.

**Activity**

At the 2022 AGM in June, Mondrian voted against items 2.1 and 2.2 – the election of two directors - due to the excessive cross-shareholdings of those directors. Mondrian also voted against items 2.3 and 2.5 as Yojiro Mizuno is an internal director in a board lacking independence, and Masahiko Maeda is from Toyota Motor which can be seen to exert undue influence on Toyota Industries and is designated a non-independent outsider.

**Outcome:**

- Item 2.1 – Elect Director Toyoda, Tetsuro, passed
- Item 2.2 – Elect Director Onishi, Akira, passed
- Item 2.3 – Elect Director Mizuno, Yojiro, passed
- Item 2.5 – Elect Director Masahiko Maeda, passed

**Activity**

In August 2022 Mondrian met with Koichi Ito, Senior Executive Officer of TICO, along with Investor Relations to further discuss our key corporate governance concerns. TICO continues to be a corporate governance laggard with issues including remuneration not aligned with shareholders, lack of board independence or diversity, and large cross-shareholdings. We discussed our views on these topics and Mr Ito said he would share our thoughts with top management. The conversation was amicable and laid the groundwork for future engagement even though most of their responses were limited. There remains significant potential upside in the potential event of material improvement in these governance areas. Additionally, we discussed the recent AGM and our proxy adviser's voting recommendations, noting that ISS recommends voting against top management of companies with greater than 20% net assets in cross shareholdings and Japanese companies with no female directors.

**Outcome**

TICO has not yet progressed any of the governance items raised; we continue to monitor and engage with the company on these issues.

**Company: Meta****2022 AGM Proposal(s):**

- Item 3 - Advisory Vote to Ratify Named Executive Officers' Compensation
  - Proponent: Management
  - Management Vote Recommendation: FOR
  - Mondrian Vote Instruction: AGAINST
- Item 4 - Approve Recapitalization Plan for all Stock to Have One-vote per Share
  - Proponent: Shareholder
  - Management Vote Recommendation: AGAINST
  - Mondrian Vote Instruction: FOR
- Item 5 – Require Independent Board Chair
  - Proponent: Shareholder
  - Management Vote Recommendation: AGAINST
  - Mondrian Vote Instruction: FOR

- Item 14 - Commission Assessment of Audit and Risk Oversight Committee
  - Proponent: Shareholder
  - Management Vote Recommendation: AGAINST
  - Mondrian Vote Instruction: FOR

#### Background

Meta Platforms offers a number of social media applications that allow users to connect through mobile devices, personal computers, and VR/AR headsets. The company changed its name from Facebook to Meta Platforms in 2021 as part of a pivot towards augmented and virtual reality, also known as the Metaverse.

#### Activity

In May 2022 we voted against Meta's Board on several items, four of which were significant, and against our proxy adviser's recommendation on one item. We voted in favour of a number of governance changes at Meta, such as a recapitalization plan that would remove the shares with super voting rights, as well as the election of an independent board chairman. We also voted against the ratification of named executive officers' compensation because of a lack of disclosure around performance incentives and targets. Whilst Meta's dual class share structure meant the impact of these votes would be limited, we felt it was important to signal to the Board that we had governance concerns that need to be addressed.

Our vote against both the recommendation of Meta's board and our proxy adviser was on a proposed audit of Meta's Risk Oversight Committee. Our proxy adviser and the board believe the company have sufficient internal audits in place to ensure this Committee is functioning correctly. However, a number of high-profile controversies and public allegations threw some doubt on this view. Allegations made by whistle-blower Frances Haugen were damaging for Meta's share price and brand, especially her concerns that the company would look to retaliate against her. We believed an external audit of the Risk Oversight Committee would help to assuage fears that the company is not policing itself correctly.

#### Outcome

- Meta Platforms AGM Item 3 - Advisory Vote to Ratify Named Executive Officers' Compensation was approved.
- Meta Platforms AGM Item 4 - Approve Recapitalization Plan for all Stock to Have One-vote per Share was not approved.
- Meta Platforms AGM Item 5 - Require Independent Board Chair was not approved.
- Meta Platforms AGM Item 14 - Commission Assessment of Audit and Risk Oversight Committee was not approved.

Mondrian will continue to engage with Meta to improve its governance practices.

#### Company: Thales

##### 2022 AGM Proposal(s):

- Item 6 – Reelect Charles Edelstenne as Director
  - Proponent: Management
  - Management Vote Recommendation: FOR
  - Mondrian Vote Instruction: AGAINST
- Item 7 – Reelect Eric Trappier as Director
  - Proponent: Management
  - Management Vote Recommendation: FOR
  - Mondrian Vote Instruction: AGAINST
- Item 8 – Reelect Loik Segalen as Director
  - Proponent: Management
  - Management Vote Recommendation: FOR
  - Mondrian Vote Instruction: AGAINST
- Item 9 – Reelect Marie-Francoise Walbaum as Director
  - Proponent: Management
  - Management Vote Recommendation: FOR
  - Mondrian Vote Instruction: AGAINST
- Item 10 – Reelect Patrice Caine as Director
  - Proponent: Management
  - Management Vote Recommendation: FOR
  - Mondrian Vote Instruction: AGAINST

#### Background

Headquartered in France, Thales is one of Europe's largest defence companies and a global leader in avionics. Thales is an industrial technology company, leveraging a number of digital capabilities around three core pillars: Defence, Aerospace, and Digital Identity.

**Activity**

In May 2022 we voted against the Board recommendation of the re-election of four directors in order to improve the amount of independence at the Board level. We also voted against the re-election of Patrice Caine, who held both Chairman and CEO roles, which is not in keeping with best practices. We have met with Thales management a number of times and believe the company is well run, with the current management team having successfully navigated the recent difficulties associated with the COVID-19 pandemic. However, greater independence at Board level and the separation of the Chairman and CEO functions would bring the company into line with industry best practices.

**Outcome**

- Thales AGM Item 6 – Reelect Charles Edelstenne as Director was approved
- Thales AGM Item 7 – Reelect Eric Trappier as Director was approved
- Thales AGM Item 8 – Reelect Loik Segalen as Director was approved
- Thales AGM Item 9 – Reelect Marie-Francoise Walbaum as Director was approved
- Thales AGM Item 10 – Reelect Patrice Caine as Director was approved

Mondrian will continue to engage with Thales to improve its Board independence and separate the roles of Chairman and CEO.

**Company: Grupo Financiero Banorte****2022 AGM Proposal(s):**

- Item 4.a10: Elect Adrian Sada Cueva as Director
  - Proponent: Management
  - Management Recommendation: FOR
  - Mondrian Vote Instruction: AGAINST
- Item 4.a13: Elect Alfonso de Angoitia Noriega as Director
  - Proponent: Management
  - Management Recommendation: FOR
  - Mondrian Vote Instruction: AGAINST

Background: Grupo Financiero Banorte is a Mexican banking and financial services holding company.

**Activity**

Mondrian voted against the election of Adrian Sada Cueva and Alfonso de Angoitia Noriega as the directors serve on more than three public boards and are CEOs of outside companies. Therefore, they are considered overboarded under our proxy adviser's guidelines. We voted for the remaining director nominees as the proposed board is at least one-third independent and contains at least two independent members, meeting the growing expectations of institutional shareholders.

**Outcome**

- Item 4.a10: Elect Adrian Sada Cueva as Director, passed
- Item 4.a13: Elect Alfonso de Angoitia Noriega as Director, passed

**Follow Up**

Mondrian will continue to monitor the level of overboarding for these two directors.

**Vote Against Shareholder Resolutions****Company: Shell plc****2022 AGM Proposal(s):**

- Item 21 – Request Shell to Set and Publish Targets for Greenhouse Gas (GHG) Emissions
  - Proponent: Shareholder
  - Management Recommendation: AGAINST
  - Mondrian Vote Instruction: AGAINST

Background: Shell is a British multinational oil and gas company. Item 21 was filed by a consortium of shareholders, coordinated by Follow This, requesting the Company to set and publish targets that are aligned with the goal of the Paris Climate Agreement. Follow This is a single-issue Dutch campaign group that has filed shareholder resolutions at oil majors over a number of years, including at Shell.



### Activity

Mondrian voted against this shareholder proposal again in 2022 as we agreed with our proxy adviser's recommendation which noted that although the company will be expected to deliver on its stated climate ambitions in the future, its current climate reporting, which includes short, medium and long-term objectives and targets, is considered to be a sufficient and appropriate response to the matters raised in the resolution at this time. The company's progress will continue to be kept under review. Shell is one of the first companies globally to commit to an annual shareholder advisory vote on its climate reporting and will also provide shareholders with a triennial vote on its energy transition strategy. In view of this commitment to ongoing transparency and accountability – and in recognising the risk of uncertainty were this binding special resolution to be approved – this item is not considered to represent the best interests of shareholders at this time.

### Outcome

- Item 21 – Request Shell to Set and Publish Targets for Greenhouse Gas (GHG) Emissions, was not approved

### Vote Withheld / Abstained

#### Company: Dell Technologies Inc.

#### 2022 AGM Proposal(s):

- Item 1.1 – Elect Director Michael S. Dell
  - Proponent: Management
  - Management Recommendation: FOR
  - Mondrian Vote Instruction: WITHHOLD
- Item 1.2 – Elect Director David W. Dorman
  - Proponent: Management
  - Management Recommendation: FOR
  - Mondrian Vote Instruction: WITHHOLD
- Item 1.3 – Elect Director Egon Durban
  - Proponent: Management
  - Management Recommendation: FOR
  - Mondrian Vote Instruction: WITHHOLD
- Item 1.5 – Elect Director William D. Green
  - Proponent: Management
  - Management Recommendation: FOR
  - Mondrian Vote Instruction: WITHHOLD
- Item 1.6 – Elect Director Simon Patterson
  - Proponent: Management
  - Management Recommendation: FOR
  - Mondrian Vote Instruction: WITHHOLD
- Item 1.7 – Elect Director Lynn Vojvodich Radakovich
  - Proponent: Management
  - Management Recommendation: FOR
  - Mondrian Vote Instruction: WITHHOLD
- Item 1.8 – Elect Director Ellen J. Kullman
  - Proponent: Management
  - Management Recommendation: FOR
  - Mondrian Vote Instruction: WITHHOLD

Background: Dell Technologies is an American technology company. In connection with the company's reverse merger with EMC Corporation in September 2016, the company implemented a multi-class capital structure in which certain classes of stock carry voting rights that are misaligned with the holder's economic interests. The company has three classes of stock. Holders of Class C shares (public shareholders) are entitled to one vote per share while holders of Class A and Class B shares are entitled to ten votes per share each. Mondrian and our proxy adviser support a one-share, one-vote capital structure. Multi-class capital structures with unequal voting rights create a misalignment between economic interest and voting rights, which can disenfranchise shareholders holding stock with inferior voting rights.

### Activity

Mondrian withheld votes for Michael Dell and Egon Durban for serving as non-independent members of a key board committee. Egon Durban was considered overboarded, as he served as a director on more than five public company board. He also failed to attend at least 75% of his total board and committee meetings held during the fiscal year without disclosing the reason for his absences. Additionally, Mondrian withheld votes for Michael Dell, David Dorman, Egon Durban, William Green, Simon Patterson, Ellen Kullman, and Lynn Vojvodich Radakovich given the board's failure to remove, or subject to a sunset requirement, its multi-class capital structure.

## Outcome

- Item 1.1 – Elect Director Michael S. Dell, passed
- Item 1.2 – Elect Director David W. Dorman, passed
- Item 1.3 – Elect Director Egon Durban, passed
- Item 1.5 – Elect Director William D. Green, passed
- Item 1.6 – Elect Director Simon Patterson, passed
- Item 1.7 – Elect Director Lynn Vojvodich Radakovich, passed
- Item 1.8 – Elect Director Ellen J. Kullman, passed

**Vote Against Proxy Voting Adviser Recommendation**

Mondrian will review all voting items against our proxy voting adviser's recommendations, but from time to time may deviate from the recommendation. Again, Mondrian does not have a default voting position. Each motion is reviewed by a portfolio manager from the investment team responsible for research coverage of that stock.

**Company: GSK, plc**

## 2022 AGM Proposal(s):

- Item 3 – Approve Remuneration Policy
  - Proponent: Management
  - Management Vote Recommendation: FOR
  - Mondrian Vote Instruction: FOR

Background: GSK plc is a British multinational pharmaceutical and biotechnology company

## Activity

Historically GSK's remuneration structure has failed to achieve alignment between management and shareholder outcomes: over many years, the TSR component of the Long-Term Incentive Plan seldom paid out for management, even when the other criteria (e.g., R&D new product performance, business diversification) paid out very reliably.

In February 2022, Mondrian met with GSK's Chairman, who was aiming to improve shareholder alignment and to contribute towards cultural change at GSK. Our shared perspective was that GSK has historically been rather tolerant of underperformance against stated objectives. The new remuneration plan awards higher pay-outs for strong outperformance but strongly penalizes underperformance.

The new Remuneration Policy was proposed at the May 2022 AGM. Our proxy adviser recommended voting against the proposal, objecting mainly to the increase in the bonus opportunity from 2x to 3x. Mondrian voted for the approval of the Remuneration Policy. In our view, the new policy, which results in better alignment with shareholders and penalizes management for underperformance, was a clear step forward for the company and its owners.

## Outcome

Item 3 – Approve remuneration policy, passed

**Company: Mediatek**

## 2022 AGM Proposal(s):

- Item: 4: Approve Amendments to Articles of Association
  - Proponent: Management
  - Management Recommendation: FOR
  - Mondrian Vote Instruction: FOR
- Item 5: Amend Procedure Governing the Acquisition or Disposal of Assets
  - Proponent: Management
  - Management Recommendation: FOR
  - Mondrian Vote Instruction: FOR
- Item 7: Amend Procedures for Lending Funds to Other Parties
  - Proponent: Management
  - Management Recommendation: FOR
  - Mondrian Vote Instruction: FOR

Background: MediaTek Inc. is a Taiwanese fabless semiconductor company that provides chips for wireless communications, high-definition television, handheld mobile devices like smartphones and tablet computers, navigation systems, consumer multimedia products and digital subscriber line services as well as optical disc drives.

### Activity

Item 4: Mediatek seeks approval for amendments to its articles of association relating to the conduct and business of its shareholder meetings. Alongside some other procedural changes such as allowing virtual AGMs in future, this motion includes a proposal that the board be authorized to determine and pay cash dividends without requiring shareholder approval first, whereas currently dividend proposals must be ratified by shareholders at the AGM before they can be paid. ISS objects to this proposal on the basis that it undermines shareholders' right to decide cash dividend payments.

Mondrian believes that the risk highlighted by ISS in this case is minor. Mediatek has followed a clear and rational dividend policy in the past and the ratification of the dividend proposal at the AGM has been largely a formality. This change would allow the company to pay dividends before the AGM occurs, which is a benefit to shareholders, particularly in situations where the AGM is delayed by unforeseen circumstances as it was in 2021. Mediatek has adopted and articulated a clear dividend policy, which should provide a good basis for shareholders' expectations. Additionally, shareholders who disagree with future dividend payments can also protest the board's conduct by voting against director re-election at that time. Meanwhile, the motion also includes proposals that could be of benefit to shareholders, such as enabling other formats for general meetings. Therefore, on balance we believe these changes are in shareholders' best interest and have supported item 4.

Items 5 & 7: Mediatek seeks approval for amendments to its articles of association relating to the procedures governing the acquisition or disposal of assets (motion 5) and procedures for lending funds to other parties (motion 7). ISS recommends voting against items 5 and 7.

Mondrian regards these proposals as relating primarily to the day-to-day management of the groups business operations. The financial limits on investments that can be made at the discretion of the board and management were last updated in 2007, since which time Mediatek has grown considerably in scale. Therefore, we believe it is reasonable to increase the upper bounds applicable to authorised capital management activities to avoid overly burdensome limitations on the group's capital management and business investment activities. Investments and disposals will continue to be subject to appropriate oversight from the board following these amendments and conduct of such activities has not caused concern in the past. Therefore, we believe it is shareholders' best interests to support these motions and have voted for items 5 and 7, against our proxy adviser's recommendations.

### Outcome

- Item: 4: Approve Amendments to Articles of Association, passed
- Item 5: Amend Procedure Governing the Acquisition or Disposal of Assets, passed
- Item 7: Amend Procedures for Lending Funds to Other Parties, passed

### Company: CSPC Pharmaceutical Group Limited

#### 2022 AGM Proposal(s):

- Item: 4 - Approve Deloitte as Auditor and Authorize Board to Fix Remuneration
  - Proponent: Management
  - Management Recommendation: FOR
  - Mondrian Vote Instruction: FOR

Background: CSPC Pharmaceutical Group, headquartered in China, researches, develops, manufactures and sells pharmaceutical products.

### Activity

We voted for management resolution item 4: Approve Deloitte as Auditor and Allow Board to Fix Remuneration. Our proxy adviser recommended a vote against this resolution on the basis that the auditor had been engaged for nine years, and also that advisory fees were material in the last fiscal year. Upon engagement with the CFO, management acknowledged that changing auditors was good global practice, and is their intent but that COVID conditions had decreased the willingness of Big 4 accounting firms from taking on new engagements over the last 2 years. Therefore, management asked that they be given time to make this change, thereby avoiding disruption to the audit process and account release given the COVID conditions. He added that the partner responsible for the engagement will change this year, and further clarified that advisory fees related to a one-off engagement for the potential listing of CSPC in the A-share market and will not be recurring. Under the circumstances explained, we concur with management's recommendation for retaining its auditor this year but communicated that we would expect a change in auditor when conditions normalize and will vote against any future recommendation to retain Deloitte.

### Outcome

- Item: 4 - Approve Deloitte as Auditor and Authorize Board to Fix Remuneration, passed

## Conclusion

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In summary, Mondrian takes its stewardship responsibility seriously. Our objective on behalf of our clients is to look after their long-term (and short-term) interests by achieving attractive long-term real returns. In order to do this, we believe it is necessary to be a good steward and fiduciary of client assets.

## Appendix 1

## Principle 2 – Investment Staff Experience and Qualifications

Full Name	Title	Discipline	Degree(s)	Qualification(s)	Former Employee	Years Industry Experience	Years MIP Experience
Clive Gillmore	Chief Executive Officer and Group CIO, Founding Partner	Strategy and Global Equities	Management Sciences, University of Warwick; Investment Management Program, London Business School		Hill Samuel	40	32
Elizabeth Desmond	Deputy Chief Executive Officer and Chief Investment Officer International Equities, Founding Partner	Equities/International	BA, Wellesley College; East Asian Studies, Stanford University	CFA	Hill Samuel	36	32
Ormla Krishnan	Chief Investment Officer Small Cap Equities, Managing Partner	Equities/Small Cap	Pure and Applied Mathematics (BSc), National University Singapore; Actuarial Sciences (MSc), City University; Investment and Finance (Dr), Sir John Cass Business School	PhD	Koeneman Capital Management	30	23
Andrew Miller	Chief Investment Officer Emerging Markets Equities, Managing Partner	Equities/Emerging Markets	History (BA), University of Birmingham	ASIP	Pricewaterhouse-Coopers	24	23
Aileen Gan	Chief Investment Officer Global Equities, Managing Partner	Equities/Global	Commerce, University of Melbourne; Master of Commerce, University of New South Wales	CFA	Accenture	23	17
David Wakefield	Chief Investment Officer Global Fixed Income & Currency, Managing Partner	Fixed Income & Currency	Economics (BSc & MSc); University of Warwick	CFA	Bank of England	30	21
Ginny Chong	Head of Chinese Equities, Senior Portfolio Manager, Partner	Equities/Emerging Markets	Commerce, University of British Columbia	CFA	PriceWaterhouse-Coopers	27	22
Graeme Coll	Head of Emerging Markets Small Cap Equities, Partner	Equities/Small Cap	Bachelor of Commerce, University of the Witwatersrand	CFA	Ernst & Young	24	18
Steven Dutaut	Head of Research - Europe and Asia, Senior Portfolio Manager, Partner	Equities/International	Business Finance (BA), University of Durham; Management, Economics and International Relations (MLitt), University of St. Andrews	CFA	Baillie Gifford	19	15
Dan Philps	Head of Rothko Investment Strategies, Partner	Equities	BSc, King's College London; AI and Computer Science (PhD), City, University of London	PhD, CFA	Dresdner Bank	28	24
Alex Simcox	Head of ESG Investment, Senior Portfolio Manager, Partner	Equities/International	History, University of Cambridge	CFA, Chartered Accountant	Ernst & Young LLP	19	15
Jonathan Spread	Head of Research - USA, Senior Portfolio Manager, Partner	Equities/Global	Computer Science, Durham University	CFA	Morley Fund Management	23	18
Brendan Baker	Senior Portfolio Manager, Partner	Equities/Small Cap	History (BA), Economics (MSc), University of London		Lombard Street Research	33	21

Nigel Bliss	Senior Portfolio Manager, Partner	Equities/ International	Geography, University of Manchester	ASIP	Cazenove & Co.	29	27
David Cudmore	Senior Portfolio Manager, Partner	Fixed Income & Currency	Economics (BSc), University of Warwick	CFA, Chartered Accountant	Credit Suisse	13	10
Christopher Davis	Senior Portfolio Manager, Partner	Equities/ International	Modern and Medieval Languages (MA), University of Cambridge	CFA, Chartered Accountant	Pricewaterhouse- Coopers	12	8
Matt Day	Senior Portfolio Manager, Partner	Fixed Income	Economics with Actuarial Studies (BSc), University of Southampton	FIA	Buck Consultants	21	15
Kevin Fenwick	Senior Portfolio Manager, Partner	Fixed Income & Currency	Economics, University of Cambridge; Computer Science (MSc), University of Adelaide	CFA	Wilshire Associates	25	15
James Francken	Senior Portfolio Manager, Partner	Equities/Global	English, University of Oxford; English, University of Cambridge	CFA	Investec	15	14
Gregory Halton	Senior Portfolio Manager, Partner	Equities/Emerging Markets	Engineering Science (MEng), University of Oxford	CFA	Deutsche Asset Management Ltd	22	19
Daniel Kelly	Senior Portfolio Manager, Partner	Equities/Emerging Markets	Mathematics with Philosophy (BSc), University of Leeds	CFA	Deloitte LLP	16	13
Bhavin Manek	Senior Portfolio Manager, Partner	Equities/Small Cap	Economics, London School of Economics	CFA	Mercer Investment Consulting	19	17
Zsolt Mester	Senior Portfolio Manager, Partner	Equities/ International	Financial Economics (BSc, MSc), University of London; Economics (MPhil), University of Oxford	CFA	Sanford C. Bernstein	11	9
Sarah Mitchell	Senior Portfolio Manager, Partner	Fixed Income & Currency	Management (BSc), University of Manchester	CFA, Chartered Accountant	Royal Bank of Scotland	18	12
Aidan Nicholson	Senior Portfolio Manager, Partner	Equities/Small Cap	Engineering, Economics & Management (MSc), University of Oxford	CFA	Cazenove & Co	21	19
Solomon Peters	Senior Portfolio Manager, Partner	Fixed Income & Currency	Economics (BA), University of Cambridge; Economics and Econometrics (MSc), Southampton University	CFA	CEBR	26	22
Paul Thompson	Senior Portfolio Manager, Partner	Equities/Global	Modern History and Politics (BA), University of Oxford	CFA, Chartered Accountant	Deloitte LLP	16	13
Boris Veselinovich	Senior Portfolio Manager, Partner	Equities/Emerging Markets	Economics and Quantitative Finance, University of Western Australia; Mathematical Trading and Finance (MSc), CASS Business School	Securities and Investment Institute Certificate in Derivatives	Challenger International	24	22

Sam Wyatt	Senior Portfolio Manager, Partner	Equities/Emerging Markets	Economics, University of Leeds	CFA, Chartered Accountant	Deloitte LLP	14	10
Charl Basson	Portfolio Manager, Partner	Equities/Small Cap	Economics and Econometrics, University of Nottingham	CFA, Chartered Accountant	Pricewaterhouse-Coopers	10	7
Michael Bray	Portfolio Manager, Partner	Equities/Emerging Markets	Industrial Economics, University of Nottingham	CFA	None	11	11
Kawal Chawla	Portfolio Manager, Partner	Equities/International	Economics, University of Birmingham; MFin, London Business School	CFA	Forum	9	4
Alastair Cornwell	Portfolio Manager, Partner	Equities/Small Cap	Physics (BSc), Imperial College London	CFA	Pricewaterhouse-Coopers	16	15
Elina Grinchenko	Portfolio Manager, Partner	Equities/Small Cap	Economics and Management, University of Leeds	CFA	None	11	11
Harry Hewitt	Portfolio Manager, Partner	Equities/Global	Economics (MSc), University of Bristol	CFA	None	8	8
Charlie Hill	Portfolio Manager, Partner	Equities/Global	Classics (BA), University of Oxford	CFA, Chartered Accountant	Neptune Investment Management	10	6
Raj Shah	Portfolio Manager	Equities	Mathematics, Operational Research, Statistics and Economics (MMORSE), University of Warwick; Data Science (MSc), City, University of London	FIA	Hymans Robertson	14	3
Bruno Vignoto	Portfolio Manager, Partner	Fixed Income & Currency	Biochemistry (BSc), Biochemical Research (MSc), Risk Management & Financial Engineering (MSc), Imperial College London	CFA	Moody's Analytics	13	7
Harry Anderson	Assistant Portfolio Manager	Equities/Small Cap	Economics, University of Bath	CFA	RWE Supply & Trading GmbH	9	8
Tom Armitage	Assistant Portfolio Manager	Equities/Global	International Management and Modern Languages (BSc), University of Bath	CFA	GE	9	7
Stella Bai	Assistant Portfolio Manager	Equities/International	Accounting and Finance (BSc), University of Manchester; Accounting and Finance (MSc), London School of Economics and Political Science	Chartered Accountant	Ernst & Young LLP	7	2
YanJun Deng	Assistant Portfolio Manager	Equities/Emerging Markets	Economics, University of Warwick		Timefolio Asset Management	8	1
Richard Fairbairn	Assistant Portfolio Manager	Equities	Mathematics and Economics (BSc), University of Nottingham	CFA	Informer Global Markets	10	9



Akhil Hindocha	Assistant Portfolio Manager	Equities/Global	Philosophy, Politics and Economics (BSc), University of Warwick; MFin, London Business School	CFA	AQR Capital Management	7	1
Timothy McGovern	Assistant Portfolio Manager	Equities/Small Cap	Chemical Engineering, Heriot-Watt University	CFA	Martin Currie Investment Mngt. Ltd	5	3
Thomas Morgan	Assistant Portfolio Manager	Equities/Small Cap	Economics, University of East Anglia	CFA, Chartered Accountant	None	10	10
Haseem Shah	Assistant Portfolio Manager	Equities/International	Economics and Management (BA), University of Oxford		Goldman Sachs	4	3
Zubeyr Singh	Assistant Portfolio Manager	Equities/Small Cap	Economics, University of Warwick	CFA	abrdn	4	1
Sarah Wood	Assistant Portfolio Manager	Equities/Small Cap	Philosophy with Experimental Psychology (BA), University of Cambridge	CFA	Ruffer LLP	8	4
Joseph Shaw	Research Analyst	Equities/Small Cap	Theology (BA), King's College London; Accounting and Finance (PGDip), London School of Economics and Political Science	CFA	Morningstar Investment Mngt	4	1
Jessica Hsia	Manager, ESG	ESG	Economics with concentrations in Finance and Entrepreneurship (Bsc), The Wharton School - University of Pennsylvania		Delaware Investments	19	18

## Important Information

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- Views should not be considered a recommendation to buy, hold or sell any security and should not be relied on as research or investment advice.
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